THE DEPUTY CHAIRMAN: The House stands adjourned for an hour for lunch.

The House then adjourned for lunch at fifty minutes past one of the clock.

The House reassembled after lunch at fifty minutes past two of the clock, **The Vice-Chairman (Prof. Chandresh P. Thakur)** in the Chair

I. UNION DUTIES OF EXCISE (DISTRIBUTION) AMENDMENT BILL, 1990

II. ADDITIONAL DUTIES OF EXCISE (GOODS OF SPECIAL IMPORTANCE) AMENDMENT BILL, 1990

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): Mr. Vice-Chairman, Sir, since, according to the List of Business, items 2 and 3 are to be taken up together, I will move both the Bills on Excise Duty together.

Sir, I beg to move:

"That the Bill further to amend the Union duties of Excise (Distribution) Act, 1979, as passed by the Lok Sabha, be taken into consideration."

Sir, I also beg to move:

"That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, as passed by the Lok Sabha, be taken into consideration."

Sir, the first Bill is to implement the recommendations of the Ninth Finance Commission made in its Second Report dated 18.12.1989 for the year 1990-95 for payment to States out of the Consolidated Fund of India a sum equivalent to a part of the net proceeds of certain Union Duties of Excise to the States to which the law imposing the Duty extends and for distribution of those sums among those States.

Sir, the second Bill is to give effect to the recommendations of the Ninth Finance Commission, made in its Second Report for the year 1990-95, for distribution among the States of the net proceeds of the Additional Excise Duties.

Sir, these two Bills which I have moved today arise out of the recommendations of the Second Report of the Ninth Finance Commission, 1990-95, the Report of which, along with the Memorandum as to the action taken on the recommendations, was laid on the Table of the House on the 12th March 1990, as required under article 281 of the Constitution In terms of article 280(3) of the Constitution, the Finance Commission is required to make recommendations in regard to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I, Part XII, of the Constitution and allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of the revenues under article 275 of the Constitution for the purposes other than those specified in the proviso to clause (1) of the article; and

(c) any other matter referred to the Commission by the President in the interest of sound finance.

As the honourable Members are aware, the Ninth Finance Commission was constituted by the President by his order dated the 17th June 1987. The

[Prof. Madhu Dhandavate]

Finance Commission was requested *inter alia* to suggest changes, if any, to be made in the principles governing the distribution among the States of the net proceeds in any financial year of the Additional Duties of Excise leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957.

The two Bills which are moved for consideration are for giving effect through parliamentary legislation to the Government's decision on the recommendations of the Ninth Finance Commission in their Second Report in regard to distribution of the net proceeds of the Union Excise Duties and Additional Excise Duties.

Of the two Bills, placed for the consideration of the House, the first one deals with the sharing and distribution of the Basic Excise Duties. The Commission has specified the percentage sharing of each State in shareable Excise Duties for each of the five years, 1990-95. During 1990-91, a amount of Rs. 8,589.65 crores is estimated on this account.

The second Bill relates to the distribution of net proceeds of Additional Duties of Excise. Additional Duties of Excise in *lieu* of sales-tax were introduced in 1957 in pursuance of the decision of the National Development Council in December 1956. The Additional Duties of Excise have been levied and collected since then by the Centre and the entire net proceeds from the three commodity groups, namely, special varieties of fabrics, tobacco including manufactured tobacco and sugar, excluding the proceeds attributable to the Union Duties have been distributed to the States in a manner recommended by the respective Finance Commissions. It is estimated that payment to the States on account of Additional Excise Duties during 1990-91 will amount to Rs. 1,598.72 crores. I would like to reiterate our Government's commitment to place the Centre-State financial relations on a right footing so that Indian economy moves forward and results in a balanced regional development.

The questions were proposed.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): The first name I have is that of Shri Rameshwar Thakur. He is not present. I call Shri Jagesh Desai.

SHRI JAGESH DESAI (Maharashtra): Mr. Vice-Chairman, I have heard the opening speech of the Finance Minister. Unfortunately we could not discuss the Finance Bill and the Appropriation Bill. I would like to have expressed my views on those two Bills, but because we could not get the opportunity, I was denied my right of expressing my views on those two Bills. Now, as the subject is limited, I would not like to go to the other aspects of the economy or taxation and I would restrict myself to the excise duties which the Government had brought in the Budget and the distribution of the excise duties to the States. When we examined the Budget proposals, the additional revenue, if I remember the figure correctly, was to the extent of about Rs. 900 crores. But out of this Rs. 900 crores the net share of the States will be to the extent of only Rs. 3 crores. When Mr. Madhu Dandavate was a Member of Parliament, he always said that the States should get the resources to such an extent that they would be able to meet their Plan requirements. He always criticised the earlier Government that it was not giving the State Governments their due share on account of the excise duties and the direct taxation. But just now he has reminded this House that the National Front Government is committed to giving them their due share of the revenue collected by the Central Government. But I would like to point out in this connection that you have increased the administered prices of petrol and diesel. Where will this additional amount go? To whom? You

wanted that the States should get their due share of collection. I thought the new Government which is committed to a new style of governance would have increased the excise duties. But they have increased the administered prices. If the Government had increased the excise duties on petrol and diesel, then the State Governments would have got their share. But you say something, you preach something and you do something else. As far as 3.00P.M. revenue is concerned, excise duty is concerned, additional excise duty in lieu of sales-tax is concerned, the same old formula still continues and States like Maharashtra which produce sugar and textiles are not getting their fair share from the additional excise duty collected on these two items. On these two items, in the production of which Maharashtra has a lion's share in this country, Maharashtra is not given the due share. I would like to tell the hon. Minister who hails from Maharashtra that if sales-tax were retained, then Maharashtra would have got even more than ten times the share from these two items which at present they get.

As far as excise duty is concerned, you have increased excise duty on such items which affect the common man. You have not left aluminium. Most of the poor people have aluminium utensils. So most of the poor people cannot have stainless steel utensils. But you have not spared them also.

You say that you want to increase the house-building activity. But you have also increased the excise duty on steel. I would like to know from the hon. Minister the reasons for increasing the excise duty on these items. Now the Finance Bill has been passed. Nothing can be done. I think every four months or six months the Minister will come up in the House. And what is the deficit he will place before this House? I would like to know whether the Government is considering to come up with a Supplementary Budget. If they are going to bring a Supplementary Budget at that time, at least the Minister should reconsider the levy on petrol, diesel and steel aluminium. Petrol is not only used by those who have got motor cars, but petrol is also being used for auto-rickshaws...

AN HON. MEMBER: For two-wheelers.

SHRI JAGESH DESAI: For two-wheelers. Who are the people who are using these vehicles? Sir, when I was coming to Parliament from South Avenue I was giving Rs. 2.60. But now I am giving Rs. 4.00 for coming from South Avenue to Parliament House.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): Send the additional bill to the Finance Minister!

SHRI JAGESH DESAI: The Minister was also coming by bus, I know.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): There is a Staff Car now.

SHRI JAGESH DESAI: So it is not that all those who are in the Upper Income Group are using petrol. Petrol is being used by the common man and by the poorer sections of the people also. As such, I would again request the hon. Minister to see that the petrol prices are reduced. Diesel prices should also be reduced. Diesel is being used mostly by farmers for their tractors and for trucks for carrying the goods. As such, the prices are going up. The Minister says that the prices are going down. I have given the figures. Even today the prices are going up. Sugar prices might have gone down to some extent. But the prices of edible oils and foodgrains, vegetables, pulses, cereals and other items are going up. I have respect for the hon. Minister. He has feelings for the common man. He is always agitated on such issues. During the week ended 12th May, the index of whole sale prices has gone up again by .4 per cent or rather .3.5 per cent. This price rise has taken place in a week. As I said earlier, the prices are not going

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down. The upward trend has not been checked. Proper actions are not being taken. The prices are not going to come down only by giving threats. I have said it earlier also and I still have a fear that the inflation rate will be over 20 per cent this year. As such, the Government should take strong action against the hoarders. If you want to take action against the offenders under the Essential Commodities Act, then on what basis would you take action? As I asked earlier, are you going to hit the margin of profit on 10 or 15 items of mass consumption at the manufacturers' level, at the wholesale level and also at the retail level? If you don't hit their margin of profit, then how are you going to take action against them under the Essential Commodities Act?

Coming to the Excise Duty, the Consultative Committee of the Ministry of Finance had appointed a Sub-Committee to examine the various aspects of indirect taxes. Fortunately, I was one of the members of that Committee. After an indepth study for 4 to 5 months, we had submitted a report to the Government. I would like the hon. Finance Minister to look at that report and satisfy himself as to what extent they have implemented that report in the last budget. I am of the firm opinion that in rising prices the concept of levying excise duty at specific rates should be dispensed with. I know that we require resources. As such, the excise duty should be on the basis of value. If that is done, I am sure the Government will be able to mop up additional resources. I have not calculated it. But it may be able to collect a sizeable amount, I would say more than Rs. 1,000 or 2,000 crores. I will give you one example of cigarettes. Here what you have done? I opposed at that time also. You have levied the excise duty on the length of the cigarettes. If a cigarette contains a high variety of tobacco, the price of that is very high which is being used by the upper middle class and the rich people. They are taxed at the same rate as a cigarette containing a lower grade of tobacco. I feel that the hon. Minister should look into it. By that, you are also losing revenue. And you are treating both rich and the common man with the same yardstick. I feel that it will be appropriate if the Finance Minister looks into it and takes remedial action on this behalf.

Now, as regards the collection of excise duty, Sir, in 1988-89, the additional resources generated in excise was to the tune of 20 per cent more than what was in the year 1987-88. But as regards direct taxes—gift tax, wealth tax, expenditure tax, income tax and corporate tax—it has gone only by 10 per cent. So, the time has come now when the Government must collect more direct taxes than indirect taxes. Indirect taxes are borne by the common man and the direct taxes are borne by those who can afford to pay taxes. But, unfortunately, I do not want to go into details. But, you were eager to reduce the corporate tax by 10 per cent by taking away the investment allowance of 20 per cent. Who will be benefited? I strongly feel that the infrastructure industries which have to be strengthened will be the most sufferers because of your taking away this investment allowance. It may be steel industry, it may be energy industry. When we want to give a thrust to the infrastructure industries for having new industries and for modernisation—mostly these are public sector undertakings—by this one stroke, you are going to hamper the growth of public sector. I charge this Government that because of this act of the Government, if I may say—I would not say because I know your views very well—you have done more harm to public sector by withdrawing this concession. Who will be benefited by this 40 per cent? You have reduced the corporate tax by 10 per cent. Who will benefit? It is those companies, multinational companies and others, who are making profits to the extent of 300-400 per cent with little investment in machinery, etc. It is those companies like Colgate...

SHRI VITHALBHAI M. PATEL (Gujarat): Lever Brothers.

SHRI JAGESH DESAI: ...Cadbury Fry, etc. These are the companies which are going to benefit. I am of the view that by such actions you are only benefiting these companies, at the cost of public sector undertakings. You are also deprived of some income because of this 10 per cent reduction. I am sure, the hon. Minister will look into it.

I will not go into the other aspects. These are the thoughts which I wanted to place before the House so that we can mop up resources from those who can afford to pay and we can give relief to those who deserve it. I have placed my thoughts. I would like the hon. Finance Minister to consider whether he is going on the right lines, or, whether he is making mistakes. If honest mistakes are there, I feel that...

SHRI AJIT P. K. JOGI (Madhya Pradesh): He is going right. He will not go left.

SHRI JAGESH DESAI: If mistakes are there, he should correct them.

SHRI MENTAY PADMANABHAM (Andhra Pradesh): This is as per the report of the Ninth Finance Commission of which Mr. Salve was the Chairman.

PROF. MADHU DANDAVATE: He has not touched that.

SHRI JAGESH DESAI: I have said about it already. As far as the recommendations of the Ninth Finance Commission are concerned, the Government has accepted them in toto. But as I pointed out earlier, there is a necessity to go into it again, at least in regard to these three items, namely, tobacco, sugar and textiles, where additional duties are levied in lieu of sales-tax. I think, the next Finance Commission should look into it and see that the States are not deprived of the revenue by way of sales-tax from these three items. Also, as I said earlier, you should not have done injustice to the States by increasing the prices of petrol, diesel, etc. You could have done this through the excise duty so that the States could have got some resources. Thank you.

DR. YELAMANCHILI SIVAJI (Andhra Pradesh): Mr. Vice-Chairman, Sir, I rise to support the two Bills moved by the hon. Finance Minister.

SHRI SUBRAMANIAN SWAMY (Uttar Pradesh): You have no alternative.

PROF. MADHU DANDAVATE: I have also no alternative, in accepting the Ninth Finance Commission's report.

PROF. SOURENDRA BHATTACHARJEE (West Bengal): Everybody is without any alternative

DR. YELAMANCHILI SIVAJI: As far as the recommendations of the Ninth Finance Commission are concerned, they are only meant to keep up the economic strength of the States; not at the cost of the State Governments, not at the expense of the State Governments. They are intended to benefit the States, keeping in view the country's resources.

While supporting these Bills, I would like to suggest—this is for Mr. Swamy—that under the guise of planned development, the States should not suffer. Enormous powers have been given to the Central Government, not only under the Constitution, but otherwise also. In addition, we have the Planning Commission which is an extra-Constitutional body. The Planning Commission does not enjoy any Constitutional status. The Planning Commission, the Reserve Bank of India and the C&A.G. are curtailing the financial viability of the State Governments. The Union Government enjoys the dificit. Whenever any money is needed, they can have one extra shift in the Nasik Press and print more notes. It is a practice every year, at the end of March or April, to get additional notes printed and get them circulated in the country. But at the same time the States

[Dr. Yelamanchili Shivaji]

are denied the overdrafts and but for the eligibility of the Union Government to print more and more notes in Nasik Press, which is extra-unconstitutional, the paying capacity of the Union Government is much less as compared to the States. Yet the States are penalised.

In the beginning land revenue was the only income for the State Government. Now-a-days land revenue is negligible part of the income of the State coffers. The main contributing factor for the State Government is sales tax as well as the State excise. As far as these two Bills are concerned, the Additional Duties of Excise (Goods of Special Importance) Bill gives scope to the Union Government to levy some additional duties on certain items like textiles and others and at the same time curtail the scope of the State Government to collect more sales tax. The State Government's coffers are not elastic. Whenever excise duties are increased, State Governments cannot impose sales tax because it is ultimately the consumer who suffers, and to that extent the State itself suffers.The Union Government may impose additional duties of excise but it is suffering from the credibility gap. This is not the case with this Government only, it is being perpetuated for a long time. The money collected on behalf of the State Governments, in distributing the same to the State Government it suffers from a credibility gap. I hope Prof. Dandavate will rectify and see that the injustice done to the State Governments for quite some time is undone. He will look into the injustice that was done to the State Government.

On top of all this comes the question of administered prices for the products which come under public sector. Whenever administered price for petrol and petroleum products is increased, it is ultimately the State Government which suffers. Nearly 40 per cent of the vehicles owned by State Government or by State Road Transport Corporation. By the end of the year they may say that the State Road Transport is likely to end up with a profit of Rs. 10 crores, but ultimately they may go back with a minus figure of Rs. 10 crore deficit because of the hike in petroleum products. Similarly, whenever there is hike in administered prices of steel and cement, it is ultimately the State Government which suffers, the on-going projects suffer, the housing activity suffers. Whenever coal prices are raised, State Electricity Boards will suffer because they happen to be the bulk consumers of coal. Similar is the case with fertilizer also. The State Government will suffer and they do not get any share out of the hike in the administered prices.

As far as corporate taxes are concerned, it is the duty of the State Government to provide all the infrastructure, health facilities, housing, sanitation and water facilities, facilities to the industrial labour that has congregated around the developing centres of the industry, but the corporate tax goes to the Union Government, it is not sharable. The burden lies with the State Government to provide all the amenities to the workers and facilities to the industry. So, I would like to advise the Union Government to do something as far as corporate tax is concerned. It was introduced way back when Dr. P. C. Roy was the Chief Minister of Calcutta. He challenged in a court of law, I suppose, that introducing corporate tax at the cost of State Government was deleterious to the interest of the State Government, but it never went into the question of Centre-State relations or straining the relations with the Centre because Jawaharlal Nehru was there in those days. In the meanwhile some small people came in the office. I hope Prof. Dandavate will rectify these things and see that injustice that was done for quite some time will be undone.

SHRI KAMAL MORARKA (Rajasthan): Sir, at the outset I share Mr. Jagesh Desai's agony about not being able to participate in the Finance Bill

debate. I myself have been deprived of the opportunity of inflicting my views on the Finance Minister.

SHRI N. K.P. SALVE (Maharashtra): Thanks to him.

SHRI KAMAL MORARKA: Thanks to you. I am happy to hear Jageshbhai very stoutly defending the States' rights. It is a new role which he is playing, which we used to play earlier.

SHRI JAGESH DESAI: I have always played that role.

SHRI KAMAL MORARKA: These two Bills which are before the House are in pursuance of the Ninth Finance Commission's recommendations.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): You are speaking in lieu of the Finance Bill?

SHRI KAMAL MORARKA: I do not want to extend the scope of the discussion. It is not fair.

SHRI S. B. CHAVAN (Maharashtra): Are you going to allow that?

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): I do not know if he is interested in that

SHRI KAMAL MORARKA: I would refer to the excise duties and additional excise duties, and especially with reference to these Bills, I will take this opportunity to make suggestions to the Finance Minister for his kind consideration.

Sir, these two Bills are in pursuance of the recommendations of the Ninth Finance Commission and the Second Report of the Commission on which these two Bills are based. At the outset, one thing which we notice which is good is that now the distribution is more scientific. The First Report gave distribution for 1989-90...

THE VICE-CHAIRMAN (PROF. CHANDRESH P THAKUR): You are complimenting Mr. Salve.

PROF. MADHU DANDAVATE: Complimenting Mr. Salve is not unparliamentary

SHRI KAMAL MORARKA: I can whole-heartedly compliment Mr. Salve for the excellent work that the Ninth Finance Commission has put in There is no doubt about it that some of the recommendations and some of the conclusions are very far-reaching. I had also spoken from the other side of the House earlier. I have no doubt in my mind that in the Eighth Plan period, if we follow the broad parameters that the Ninth Finance Commission has laid down, it would do a lot of good to the Centre and the States as far as financial discipline is concerned.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): I hope you are keeping in view the political consequences of such a statement.

SHRI KAMAL MORARKA. I think financial matters are above politics I would like them to be so.

Sir, as you know, there is a Gadgil formula according to which the previous Finance Commission has been functioning....

PROF. MADHU DANDAVATE: That was a different Gadgil.

SHRI KAMAL MORARKA: I do not mean Mr. V. N. Gadgil... And certain changes were made, but the Ninth Finance Commission, on balance of consideration, has followed more or less the formula of the Eighth Finance Commission except in the matter of revenue expenditure where they have taken normative approach, which is very scientific and very valid in the context of the burgeoning expenditure of the Centre as well as the States. The formula takes into account the State's Domestic Product (SDP) and the population. The previous Bill in 1989 was based on the 1971 census, while this Bill for 1990-94 period is based on the 1981 census. Therefore, I think this is more up-to-date and more scientific as far as devolution of resources to the

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States is concerned.

Sir, there are certain observations made by the Finance Commission which also come to our mind and which I think the Finance Minister should also consider. One is this matter of levying cess. The Finance Commission has very correctly observed that the special cess should be for a limited period of time because otherwise States are deprived of their due share. I think this point is well taken and the States would have a genuine grouse. Though there are some matters pending with respect to royalty on oil and offshore oil, I am sure, once the Finance Minister takes a view on these matters, the concerned States would stand to advantage.

The other point which the States have been raising is on the additional excise—10.8 per cent of the clearances. The 1970 Chief Ministers' conference had thought that the revenues would come to 10.8 per cent. Right till 1988-89, that has not been achieved. And that is the genuine grievance of the States. But I am happy to note from the Report that the Finance Ministry has reported that in the 1988-89 period they have reached 10.7 per cent. A very far-reaching recommendation of the Ninth Finance Commission is that for the next five year period, wherever this devolution falls short of 10.8 per cent, the Centre should make it good by Grants-in-aid. It is an important recommendation. I do not know whether the Centre's resources would permit this devolution. But I quite agree that in a federal system, we must take into account the difficulties of States where the total resource base is far more restricted than the Centre and I think it is. but fair that 10.8 per cent is followed for the next five years. As regards the merger of basic excise duty and additional excise duty, there was a discussion in the Interim Report of the Finance Commission and they thought they would be able to talk with the States and come to a conclusion. Apparently, all the major States have spoken against it. For instance, Andhra Pradesh feels that their sales tax revenue has gone up 69 times between 1959-60 and 1986-87 while their share in additional excise duties has gone up only three times. Naturally, they do not like this idea. Though the merger is a far more scientific way of dealing with the finances, apparently the entire functioning of the tax structure over the last 20—30 years has been in a manner where the States do not want to give up.

SHRI N. K. P. SALVE: Distrust!

SHRI KAMAL MORARKA: A mutual distrust has arisen, and while the Centre has the facility, if I may call it, of resorting to deficit financing, the States do not have any such facility. Even their overdrafts are restricted by the Reserve Bank, and rightly so. And, as I have been saying earlier, it is the need of the hour and, as the Finance Commission has said in its Interim Report, eliminating the revenue deficit at the Centre is 'an absolute fiscal imperative' and I think we have to work in that direction.

In the last budget the budgeted figure of total dificit is much less but, as the Finance Minister promised us, every four months we must keep a finger on the pulse and see whether the deficit figures are being maintained. But I have no hesitation in saying, whichever Government is in power, irrespective of that, unless we are able to contain this deficit financing, inflation cannot be controlled and the common man will be hurt. So we will have to keep a very strict watch on it, and I don't think this needs to be politicized and all sections of the House must come together and try to put our finances back to what they were till 1980. Till 1980, as we all know, there were no revenue deficits. Deficits used to be on capital account. Moreover, there is a distinction between Plan expenditure and non-Plan expenditure, between Defence expenditure and Civil expenditure, between Revenue expenditure and Capital expenditure. As far as inflation goes, these distinctions do

not hold good because there are a lot of capital projects, though we call them capital expenditure, the expenses incurred are inflationary because those are long-gestation, projects. Then, Defence expenditure is a non-Plan expenditure. Interest, subsidies—these are all non-Plan expenditures. So, in the various discussions that we have, I think, for clearer understanding some sort of a distinction we will have to make as to what is inflationary expenditure, and some sort of analysis we have to make so that everybody understands clearly as to what expenses should have to be really controlled.

The second report of the Finance Commission has said that the internal debt should be controlled. They have given some very concrete suggestions about how to control the interest payments by the public sector companies relying more on the market mechanism. May be, except the railways or certain infrastructures where the Government has to come in. They have made very valid comments on the State Governments controlling losses of State Electricity Boards and Road Transport Corporations. Now, unfortunately, in the States, irrespective of which party is ruling in the States, the fact remains that these two bodies in each State are badly managed. Ultimately money comes out of the public pocket. Whether it is through increased sales tax revenues or increased draft on the Central revenues, the fact of the matter is that till the State Electricity Boards and Road Transport Corporations control their management, and make it more sufficient, it is a major source of leakage of funds as far as State Governments go, and I think it is a very valid recommendation on which the Centre can do no more than pursue with the relevant State Government.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): The question of desirability versus feasibility is still hanging.

SHRI KAMAL MORARKA: There is one aspect of the Finance Commission's recommendations I do not quite follow and that is, change over from the specific excise duties to *ad valorem* excise duties. This was discussed in the Consultative Committee also. Some of us felt that the way the excise system is being run, it would be much more prudent to have specific excise duties to avoid evasion and different interpretations which invariably crop up as *ad valorem* duties.

SHRI JAGESH DESAI: In that case, every year a decision has to be taken that specific duties should be increased to the extent of inflation.

SHRI KAMAL MORARKA: Well, we said that in the Consultative Committees every two or three years if specific duties can be revised *pro tanto*, but the preference was given in view of the management of the indirect tax system that it would be much more beneficial for the Government to have specific excise duties as against *ad valorem* while the Finance Commission recommended a gradual changeover to *ad valorem*, but there can always be a difference of opinion. Two or three other suggestions they have given. One is zero-based budgeting. This was talked of a lot two, three years ago. I think, this can be a very important instrument in checking revenue expenditure. It is very difficult to implement because ultimately it boils down to reducing the employment or freezing the employment or giving up certain schemes which are low-priority schemes. These are tough decisions to make. But any decision to restrict revenue deficit will be essentially tough in Minister to look into this recommendation of the Finance Commission.

In concrete terms they have said that during the Eighth Plan period the employment in the Government sector should be checked, and any additional expenses, any additional employment should come out of the non-Plan budget already allocated to various Ministries.

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This is easier said than done. But I think that a beginning has to be made. It has to be some sort of a consensus between the Centre and the States, between all the parties. Politically, administratively we should all come to the conclusion because there are certain States where 70 per cent of their resources are spent on the Government establishment. No wonder development cannot take place. The Finance Commission has recommended, and very rightly so, that except for schools and hospitals, on all other projects, we should be very clear that they are projects which are either self-financed or the States can get revenue. I recommend to the Finance Minister that most of these proposals which are very prudent from the financial point of view, should be implemented.

On the excise duty front, I only wish to say one thing which is really beyond the scope of this discussion. There has been a discussion going on in this country about the share of the indirect taxes and the direct taxes, and some economists have said that 87 per cent which is the share of the indirect taxes to the total tax revenue, is on the high side. Sir, I don't think so. In modern economic parlance, even indirect taxes can be so structured as to target the affluent sections of the society. The underlying principle is that the indirect taxes hit everybody and that the direct taxes hit only a particular target. The way the tax system in India is managed, we have seen that increasing the direct taxes only increases evasion and that indirect taxes get basic revenue for the Government. This percentage by itself may not be so alarming. But the buoyancy of taxes is still low. Inspite of the sharp increase in the excise duty, the buoyancy is less than one which shows evasion on a large scale. Therefore, it is necessary that the excise and customs laws and notifications should be unambiguous and give little scope for evasion or different interpretations so that the Government can get the expected revenue without too much of litigation which is proliferating in recent times.

These are some of the suggestions to the Finance Minister. With these words, I support the two Bills.

श्री चतुरानन मिश्र (बिहार): उपसभाध्यक्ष महोदय, जैसे कि कई अन्य माननीय सदस्यों ने कहा है कि अच्छा होता हम नवें वित्त कमीशन की रिपोर्ट पर पहले बहस कर लेते तब इसको लागू करने की दिशा में आते। अभी तो बहस हुई नहीं है लेकिन यह दो विधेयक हम लोगों के सामने आए हैं, एक यूनियन ड्यूटीज़ आफ एक्साइज़ (डिस्ट्रीब्यूशन) अमेंडमेंट बिल और दूसरा अडिशनल ड्यूटीज़ आफ एक्साइज़ (गुड्ज़ आफ स्पेशल इम्पोर्टेंस) अमेंडमेंट बिल है। इन दोनों विधेयकों के पास हो जाने के बाद राज्यों के लोगों को पहले से ज्यादा राशि मिलेगी, ज्यादा धन मिलेगा, हमारी जो केन्द्रीय जमा राशि होगी उससे ज्यादा हिस्सा मिलेगा। इसलिए मैं इनका समर्थन करता हूं क्योंकि इनका समर्थन न करने का मतलब होगा कि जो पैसा मिल रहा है उससे भी हाथ धोना। यह तो गलत काम होगा। इसलिए मैं इन विधेयकों का समर्थन करता हूं। वित्त मंत्री जी ने इसकी चर्चा करते हुए यह कहा कि यह एक कदम है जिससे राज्यों और केन्द्र के बीच जो वित्तीय असंतुलन है उसको दूर करने के लिए यह है। तो इससे कुछ बातें निकल कर आई हैं जिनकी मैं चर्चा करना चाहूंगा। पहली बात तो मैं यह कहना चाहूंगा कि चूंकि हमारी इकोनोमी हाई कास्ट इकोनोमी है और हमारे जैसे गरीब देश के लिए इस हाई कास्ट इकोनोमी को बर्दाश्त करना कठिन हो रहा है। इसलिए कुछ ऐसे कदम उठाने की ज़रूरत है जिससे हाई कास्ट इकोनोमी को हम दूर कर सकें और ऐसी इकोनोमी बने जो गरीब लोगों के लिए खरीदने लायक हो सके और विदेशों में भी जिससे हम कम्पीट कर सकें। इस सिलसिले में मुझे लगता है कि कस्टम ड्यूटी, इम्पोर्ट ड्यूटी और एक्साइज़ ड्यूटी पर फिर से विचार करने की जरूरत है क्योंकि इंसीडेंस आफ टैक्सेशन एक ऐसा कारण हो जाता है कि अगर हम बेसिक मैटीरियल पर उसका इंसीडेंस ज्यादा रखते हैं तो उत्पादन पर भी उसका पूरा असर पड़ जाता है। उदाहरण के लिए फर्टिलाइजर को अगर हम लें। गैस पर अगर ज्यादा चार्ज है और गैस का दाम अगर बहुत ज्यादा है— भारत में शायद गैस का दाम अमेरिका की तुलना में ढाई गुने से ज्यादा है — तो फर्टिलाइजर का दाम भी ज्यादा हो जाता है।

तब हम फर्टिलाइजर में सब्सिडी देना चाहते हैं। इसलिए हमारा ख्याल है कि गैस के ही स्तर पर कुछ टैक्स को अगर हम छोड़ दें तो वह कहीं अच्छा है बनिस्पत फर्टिलाइजर के मद पर 2, 3 या 4 हजार करोड़ की राशि हम सब्सिडी पर दें। यह उचित नहीं है। ऐसे कई वस्तुओं में है। इस लिहाज से मैं चाहूंगा कि दोनों के संबंध में यह जो ड्यूटी है खासकर यूनियन एक्साइज ड्यूटी जो है उस पर नये ढंग से सरकार विचार करे कि किन किन वस्तुओं पर इंसीडेंसी आफ ड्यूटी बहुत ज़्यादा हो गयी है और उसको हम कैसे घटायें। इस बात पर नये ढंग से विचार करने की जरूरत है और अगर ऐसा हम नहीं करेंगे तो सरकार तो कहती रहेगी कि हम प्राइस कंट्रोल पर सख्त कार्यवाही करेंगे, पहले की भी सरकार कहती थी कि सख्त कार्यवाही करेंगे और अभी की सरकार भी कहती है कि सख्त कार्यवाही करेंगे लेकिन सच्चाई यही है कि सख्ती से दाम बढ़ते चले जा रहे हैं। यह तो हास्यस्पद विषय है.... तो?

एक माननीय सदस्य: पहले कम हो गया था।

श्री चतुरानन मिश्र: यह कब कम हो गया था और कब ज्यादा हो गया था यह कहना बड़ा कठिन है।

उपसभाध्यक्ष (प्रो॰ चन्द्रेश पी॰ ठाकुर): सख्ती से कीमत बढ़ गयी है कि सख्ती के बावजूद भी बढ़ गयी है?

श्री चतुरानन मिश्र: हमने आपको कह दिया। सख्ती हुई या नहीं हुई यह मैं नहीं जानता। लेकिन आप जिस पक्ष के हैं, उधर की सरकार थी तो वे भी कहते थे कि हम सख्ती से कार्यवाही कर रहे थे। हम चेयर को नहीं कह रहे हैं, हमने सिर्फ आपको कहा। कहा कि जिधर आप थे। हम यह नहीं कह रहे थे कि....

उपसभाध्यक्ष (प्रो॰ चन्द्रेश पी॰ ठाकुर): हमने तो स्पष्टीकरण मांगा था।

श्री चतुरानन मिश्र: आप चौंक गये तो सिग्नल हमारे लिए काफी था इसलिए हमने इसको दोहरा दिया।

हमारे ख्याल से जबानी सख्ती करने से कुछ नहीं होगा। आर्थिक अवस्था में कुछ ऐसी बातें हो गयी हैं जिसमें अच्छा होता सदन के दोनो पक्ष बैठें — क्योंकि इसमें कुछ हार्ड मेजर्स को लेने की जरूरत पड़ेगी, इसलिए यह सामूहिक प्रयास हो और चूंकि सरकार कहती है कि हम सहमति पर चलना चाहते हैं, कन्सेन्सस आफ ओपीनियन पर इसलिए इस तरह का कोई कदम उठाने की सख्त आवश्यकता है क्योंकि वित्त मंत्री जानते होंगे कि उनके बजट के आने के बाद प्राइस लाइन में जो वृद्धि हुई है उससे सबसे ज्यादा गालियां हम ही लोग सुन रहे हैं। कांग्रेस वाले तो निकल जाते हैं, वे तो कहते हैं कि हम हैं नहीं, रहते तो दूध दही का नाला बहा देते। लेकिन लोग उनकी बात समझते हैं कि पहले तो ये कच्चा पानी भी नहीं बहा पाते थे तो दूध दही के नाले कहां से बहाएंगे। हम लोग आपकी सरकार का समर्थन करते हैं तो उससे और भी ज्यादा दिक्कत होती है क्योंकि राजपाट आप ही चलाते हैं हम तथा बी॰जे॰पी॰ के मित्र लोग तो...

श्री भुवनेश चतुर्वेदी (राजस्थान): बी॰जे॰पी॰ वाले बहुत ही होशियार हैं।

श्री चतुरानन मिश्र: वे होशियार हैं इसलिए कि ...**(व्यवधान)** हम आपको बता रहे हैं कि ये कुछ मन्तर वगैरह जानते हैं हम तो मन्तर जानते नहीं हैं। इनको कुछ होगा तो ये विश्वनाथ मन्दिर चले जाते हैं, मथुरा मन्दिर चले जाते हैं और ...**(व्यवधान)** ये अयोध्या चले जाते हैं। इसलिए इनके लिए तो आसान है हमारे लिए यह भी नहीं है ...**(व्यवधान)**

जहां तक दोनों पार्टियों का ताल्लुक है, वित्त मंत्री जी से कांग्रेस वाले कहते हैं कि ये कन्वीनियंस की मैरिज है आप लोगों को इसलिए समर्थन दे रहे हैं...**(व्यवधान)** लेकिन नहीं, एक बात है वित्त मंत्री जी कि इस गंठबंधन का वैवाहिक आनंद तो आपको होगा लेकिन लेबर पेन, यह लेफ्टिस्ट और बी॰जे॰पी॰ को हो रहा है। तो अभी...**(व्यवधान)**

श्री सुब्रह्मण्यम स्वामी: जितना जल्दी अबार्शन होगा, उतना ही अच्छा है।

उपसभाध्यक्ष (प्रो॰ चन्द्रेश पी॰ ठाकुर): यह लेबर पेन टाइम-बाउंड है कि नहीं?

श्री चतुरानन मिश्र: आपने डाइवर्ट कर दिया था। इसलिए इसको मैं छोड़ देता हूं। मैं अपनी ओर से नहीं जा रहा था।

अब हमने जो कहना चाहा, वह कुछ समस्याओं को लेकर कहना चाहेंगे। पहली बात है कि वित्त कमीशन की रिपोर्ट की तो काफी तारीफ की गई है। उसमें कुछ बातें बहुत अच्छी हैं— यह नार्मेटिव खर्च बनाने का। लेकिन कुछ बातें हैं जिनके बारे में मैं वित्त मंत्री जी से कहूंगा कि वह हमको बता दें कि वह क्या है?

अब यह जो रिकोमेंडेशंस हैं, उसमें बिलो पावर्टी लाईन की आबादी जहां पर ज्यादा है, उसका जो आधार माना गया था, इसको वित्त कमीशन ने कहा कि चूंकि

[श्री चतुरानन मिश्र]

उचित आंकड़े उपलब्ध नहीं हैं, इसलिए हम इसको नहीं मानते हैं। अगर आप इस आंकड़े को नहीं मानेंगे, तो आप बता दीजिए कि हमारे बिहार जैसे राज्य को इसके चलते कितना घाटा होगा, जहां पावर्टी लाईन के लोगों की बहुतायत है।

मैं वित्त मंत्री जी से यह जानना चाहूंगा कि अगर वह एलिमेंट रहता, तो हमको कितनी राशि मिलती और वह नहीं है, तो अब कितनी राशि मिलेगी?

दूसरा, हम कहना चाहेंगे कि आपने पापुलेशन का आधार, 1981 का नहीं माना है, 1971 का माना है, लेकिन स्टेट डोमेस्टिक प्रोडक्ट के बारे में जिन तीन वर्षों का आपने हिसाब किया है, 1982-83, 1983-84 और 1984-85 का वह है।

SHRI N. K. P. SALVE: Sir, it is a very important matter, otherwise I would not have intervened.

PROF. MADHU DANDAVATE: I will defend you.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): I also come from Bihar.

SHRI N. K. P. SALVE: He will not be able to answer it in view of what I have to say. It is amazing that on the basis of supposed poverty in different States billions of rupees have been distributed. When the experts pointed out to us there is no authenticity about this figure, we took up the matter with the Planning Commission. We grilled them for two days and they told us in no uncertain terms, "We have not collected the figures of poverty in different States which can be considered as authenticated." Can there be anything more dismal? Can there be anything more unfortunate in a country like this which wants to give relief on the basis of poverty; It cannot give relief on poverty because authentic figures are not there. The main reason why the Finance Commission in its first report fell back upon poverty—— in the second report they could not fall back upon poverty—— was absence of authentic figures which the Planning Commission said it was not in a position to give.

PROF. MADHU DANDAVATE: He quoted you correctly. That is why from poverty, he has gone to backwardness. But I would only say in both the cases, Bihar is to be blamed whether there is poverty or backwardness.

SHRI N. K. P. SALVE: Mr. Finance Minister, for your purpose also is it not time that you really direct the Planning Commission or any other Ministry or your own Ministry to collect at least authentic figures of poverty?

PROF. MADHU DANDAVATE: Mr. Salve, all that I am trying to tell you is that he did not distort your point of view. He correctly pointed out what you have exactly stated in your Commission's report. He is right in his own way.

श्री चतुरानन मिश्र: मैंने यह कह दिया था कि वित्त कमीशन ने कहा है कि आथेंटिक रिपोर्ट उसके पास नहीं है। यह मैंने कह दिया था। आप कारण बताते हैं कि प्लानिंग कमीशन ने आपको कहा, लेकिन हम जो आपसे कहना चाहते हैं वह यह है कि हम गरीबी रेखा के नीचे के लोग करोड़ों की तादाद में हैं। आपके पास आंकड़े हैं या नहीं, यह हमारा काम नहीं है। **(समय की घंटी)**

इसलिए हम आपसे यह कहना चाहेंगे कि इस मद के चलते हमको कितना घाटा हो रहा है, यह वित्त मंत्री कृपा करके बता दें।

श्री एन॰के॰पी॰ साल्वे: उनके पास आंकड़े नहीं हैं, तो वह आपको बतायेंगे कहां से?

श्री चतुरानन मिश्र: ओ हो, आंकड़े नहीं हैं, तो क्या आपकी और उनकी सरकार ऐसे ही फंकशन करती है? हम हैं, लेकिन आप गिनते ही नहीं, तो हम क्या करें। यह तो हम कहेंगे ना, यह लोग पावर्टी लाईन के लोग हैं और करोड़ों की तादाद में हैं। अब अगर आप उनको काउंट नहीं करते हैं, तो यह आपकी गलती है, यह उनकी गलती नहीं है। वह तो विद्यमान हैं। अब मैं जो इसी सिलसिले में कह रहा था कि स्टेट डोमेस्टिक प्रोडक्ट्स की जो बात आई है वह तीन वर्ष का लिया गया है। 1982-83, 1983-84, और 1984-85 का, लेकिन जनसंख्या का जो बताया गया है, पापुलेशन का आधार माना गया है। 1971 का, जबकि सेंसेज़ 1981 का मौजूद था। तो मैं वित्त मंत्री जी से कहूंगा कि कृपा करके बताइये कि यह 1971 के आंकड़े लेने से बिहार को या बिहार जैसे राज्यों के कितना घाटा हो रहा है, यह

मैं उनसे स्पष्ट जानना चाहूंगा? दूसरी बात, अभी मोरारका जी ने कहा एडीशनल एक्साइज़ ड्यूटी के संबंध में कि अगर एक ही ड्यूटी रहे तो साइंटिफिक तरीका है वह अच्छा है, लेकिन साइंस कैसे काम करता है यह मैं आपको बताता हूं। अभी हमको स्मरण है 1972 में ही यह सिफारिश की गई थी कि एडीशनल एक्साइज़ ड्यूटी जो इन तीन वस्तुओं पर है उसको 10.8 परसेंट किया जाए, यह किया गया। 1972 में, अभी यह सरकार कहती है कि 1990 में हम पहुंचे हैं 10.7 परसेंट। अब आप बता दीजिए कि अगर यह वस्तुओं पर टैक्स लगाना, सेल्ज़ टैक्स लगाना राज्य सरकारों के मातहत रहता तब तो वह 1972 आनवर्ड्ज़ लगाए रहता, तब तो उनको इतना कर्जा नहीं होता। आपके फेल्योर के चलते उनका जो रेवेन्यु लास हुआ 1972 से लेकर 1990 तक इसका लेखा-जोखा कौन करेगा? अगर आपके मातहत रहता तब वह लगा लेते उस पर तब वह अपने बजट को सप्लीमेंट कर सकते थे। लेकिन आपकी गलती के चलते यह हो रहा है। इसीलिए माननीय साल्वे जी ने जो कहा सिर्फ डिसट्रस्ट की बात वह नहीं है। फैकच्युल बात यह है कि केन्द्रीय सरकार ने इसमें कमी की है और इसीलिए लोग कहते हैं कि हम आपके हाथ में इसको नहीं देंगे। एक हमारे बिहार जैसे राज्य के लिए दिक्कत है उपसभाध्यक्ष महोदय, इसकी मैं चर्चा करना चाहूंगा कि हमारे यहां जो बड़ी-बड़ी कंपनियां हैं टिस्को है, टेल्को है या इस तरह की जो बड़ी-बड़ी कंपनियां हैं उनका हैड आफिस बम्बई में है, कलकत्ता में है, तो टैक्स परपज़ेज़ के लिए बम्बई वाले लाभान्वित होते हैं, कलकत्ता वाले लाभान्वित होते हैं और कारखाना हमारे यहां है तो सारा पेन्ज़ हमको है और फायदा उनको है।

उपसभाध्यक्ष (प्रो॰ चन्द्रेश पी॰ ठाकुर): प्रोडक्शन यूनिट पर होना चाहिए।

श्री चतुरानन मिश्र: यही तो हम आपसे कह रहे हैं मे इस बात की चर्चा इसलिए कर रहा हूं कि एक्साइज़ ड्यूटी से सीधा संबंध है या नहीं लेकिन मैं इसको इसलिए रखना चाहता हूं कि वित्त मंत्री ने कहा है कि केन्द्र और राज्य के फाइनेंशल असन्तुलन जो है, इंबैलेंस जो हैं उसको करेक्ट करने की जरूरत है, तो इसीलिए इस विषय पर इनका ध्यान जाना चाहिए। दूसरा, इसी तरह से आपको याद होगा वह कंसाइनमेंट टैक्स की बात, कंसाइनमेंट ट्रेड जो होता है, उस पर भी हमारी राज्य सरकार को बहुत ज्यादा घाटा हो जाता है। क्योंकि बड़ी-बड़ी कंपनियां वहां हैं, जो लोहा का, दूसरी चीज़ों का, दूसरी जगह कन्साइनमैंट में भेज देती है फिर हमारे राज्य को उसका घाटा हो जाता है। अगर आप बैलेंस करना चाहते हैं तो इस दिशा में भी कीजिए। फिर मैं वित्त मंत्री जी से पूछना चाहूंगा, अगर वह जवाब दें कि जो राज्य आपको पेट्रोल पैदा करके देते हैं उनके लिए तो आपने मूल्य आधारित रायल्टी रख दी है और बिहार के ये लोग कौन सा कसूर करते हैं कि यह जो खनिज पदार्थ पैदा करते हैं, चाहे कोयला हो, चाहे लोहा हो, चाहे दूसरी खनिज चीज़ें हों, इसकी रायल्टी आपने क्वांटिटी के आधार पर बेस्ड किया है और उसमें भी सरकारिया कमीशन ने कहा है, हर दो वर्ष में उसको बदलना चाहिए था, रिवाइज़ करना चाहिए था। सरकारिया कमीशन की रिपोर्ट भी दिए हुए तीन वर्ष हो रहा है। तो अगर आप हमको वह नहीं बढ़ा कर देते हैं तो कैसे आप कहते हैं और कैसे हम आपकी बात पर भरोसा करें कि आप केन्द्र और राज्य की वित्तीय स्थिति को संतुलित करने जा रहे हैं। यह आप कैसे कर सकते है अगर हमारे जैसे गरीब राज्य का आप ऐसा नहीं करते हैं? एक विषय जिनकी चर्चा कई माननीय सदस्यों ने की है इसको मैं सिर्फ दोहरा देना चाहता हूं वह है एडमिनिस्टर्ड प्राइस जो पब्लिक सैक्टर की चीज़ों का बढ़ा देते हैं। पहले यह एक्साइज़ ड्यूटी के जरिए बढ़ाया जाता था तो उससे राज्य का भी एक शेयर हो जाता है। अब क्या होता है कि राज्य का कोई शेयर तो होता ही नहीं है, लेकिन राज्य सरकार जब उन चीज़ों को कंज्यूम करती है जैसे पेट्रोल हो, कोयला हो, लोहा हो, तो उसका बजट जो है बहुत ज्यादा बढ़ पाता है। यह महाभारत के शकुनि और भीम का रिश्ता हो गया है। सुनते हैं कि भीम खाता था और शकुनि दूसरा काम करता था। तो आप प्राइस बढ़ा लेते हैं और हमारा घाटे का बजट हो जाता है। आप अपने लिए तो नासिक प्रेस लिए हुए हैं। अभी यहां माननीय सदस्य कमल मोरारका जी ने कहा कि यह अच्छी बात हुई है कि रिजर्व बैंक ने ओवर ड्राफ्ट् पर रोक लगा दी है। यह एकतरफा रोक है। राज्य सरकारों पर रोक है, केन्द्र सरकार पर नहीं है। उनके लिए नासिक प्रेस है तो राज्य सरकारों को भी एक-एक नासिक प्रेस दे दीजिए। अगर आप समझते हैं कि यही काम अच्छा है तब तो एकदम कैओस हो जाएगा सारे देश के अंदर ...**(व्यवधान)**:..हम ने कहा न कि कैओस हो जाएगा आय एम नॉट इन फेवर ऑफ दैट।

आखिर में मैं एक बात कहकर समाप्त करना चाहूंगा। इनकी पहली रिपोर्ट में रिकमंडेशन थी कि जहां पर आदिवासी लोग, गरीब लोग ज्यादा है या प्लान के हिसाब से डेफेसिट बहुत ज्यादा होता हो, उसके लिए 5 परसेंट टोटलिटी का इन्होंने रख दिया था कि हम उससे

[श्री चतुरानन मिश्र]

सहायता करेंगे। बिहार एक ऐसा राज्य है जहां कि पिछड़े, आदिवासी और हरिजन वर्ग के लोग स्टेट का 65 परसेंट कांस्टीट्यूट करते हैं टोटल पापुलेशन का। उसके लिए धनराशि न मिलने के कारण अभी हमारा जो एनुअल प्लान बना है, उस में भी हम को घाटा दिया गया है। इसलिए में वित्त मंत्री जी का ध्यान आकर्षित करूंगा कि यह जो इनकी रिकमंडेशन थी फर्स्ट रिपोर्ट में तो उसके बारे में आप जल्दी काम कीजिए क्योंकि अभी तो एनुअल प्लान बनने जा रहा है। अगर उस में से आप कुछ बिहार राज्य को दे दें तो यह एक अच्छी बात होगी। अभी बिहार में एक अच्छे नौजवान मुख्य मंत्री आए हैं जो चाहते हैं कि हम कुछ करें। इसलिए अगर आप वित्तीय बंधनों से उनके हाथ नहीं बांध देंगे तो उस राज्य का कुछ कल्याण हो सकता है।

इन्हीं शब्दों के साथ में इन दोनों विधेयकों का समर्थन करता हूं।

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): Dr. Subramanian Swamy. You have to be brief.

SHRI SUBRAMANIAN SWAMY: I should get more time than the CPI. There are more M.Ps...*(Interruptions)*.

Sir, since we did not have a chance to speak on the Budget because of the special circumstances prevailing at that time in the House, I would like to take this opportunity to begin with a few comments on this Budget, which is, anyway, of academic nature because it comes after the whole thing is over.

The Budget, of course, is widely regarded in the country as the most inflationary Budget since 1947 and the taxes that have been imposed are those normally recommended by the bureaucracy in the Finance Ministry. I am told that there is a rule in the Finance Ministry. If you ask the bureaucrats to prepare a Budget, they look at the commodities which were not taxed for the last three years and select those commodities and put taxes on them in the Budget. This is precisely what has happened in the case of petrol which is widely criticised in the country. Petrol consumption is not going to be reduced by this rise in price because over 80 per cent of the consumption of petrol is done by people for whom prices have no meaning such as defence, Mr. Dandavate's staff car or company account expenses. Here, prices have no meaning and they will continue to use petrol at the same level. Since 80 per cent of petrol is consumed in this way, it is merely the 20 per cent which is used by the middle-class that will be affected and on them the crushing burden will come.

Sir, the Finance Minister calls himself a pragmatic socialist. But I must tell you, after reading the Budget, that he is a magician. He produces a deficit of Rs. 7200 crores not by any serious financial planning but by tricks which have been hidden and unfortunately, we did not get a chance in the Rajya Sabha to expose those tricks. One of them is the huge revenue account surplus that he shows, unprecedentedly large revenue account surplus. *(Interruptions)*. Yes, surplus of revenue account. You please read the Budget again. It is a revenue account surplus. Excuse me, it is capital account surplus and it covers the revenue account deficit and then a cut-back, a huge cut-back in the increase of

4.00 P.M.

Central funds for the plan, then a provision for public sector surpluses which have never been achieved in the history of India, that has been put in and by not allotting funds for the programmes that they are going to take up this year and which they have already announced, such as Employment Guarantee Scheme and of course, the Loan Waiver which they have whittled down, all these tricks are only covering up the real fact; ultimately Mr. Dandavate will either have to come with another Budget and promote taxes, if he lasts that long till next year, or come with a Budget saying that the deficit is as it used to be earlier...*(Interruptions)*... Sir, of course if the Government wants revenue, they can get it from Bofors. They promised that they will find out the culprits in 15 days they have not, and I know why. They are embarrassed that if

they come out with the names, one of their own Ministers might figure in the list and that is why they are holding it up. But the fact is that the central aspect of the Budget is, the excise duties are being increased. This is the major cause of inflation. I would say to the Minister that I totally reject the idea that was presented by my friend, Mr. Kamal Morarka that taxes could be so organised that the rich people would have to pay. That is not correct. Indirect taxes and excise duties are regressive by nature and consequently, they hurt the poor more. What is needed is excise duty reforms and during 1977-78 period, a commission was set up to look into the question as to how to streamline these excise duties and indirect taxes, and indeed the major source of corruption is there. I do not see why there should be such a proliferation of indirect taxes. In fact Sir, if you rank commodities by their contribution to the revenue, then of these 140-150 commodities which are subject to excise duties, just 15 of them, top 15 of them will give you 92 per cent of the revenue and the rest are just adding the remaining 8 per cent. Indeed if one were to put excise duty only on the top 15 and remove it on the others, I think the prices would come down very sharply and the costs also would come down. And this is something that needs to be done. These are the kinds of reform that I was thinking of. I also think that the Minister should once again seriously address himself to the question of abolition of sales tax. This is another source of corruption. Some way should be found by which the States' independence in financial resources etc. could be not weakened, but I think this is something again which is very important. This is something which is necessary for curbing corruption in the country and helping the small industrialists, particularly those who suffer under these sales tax inspectors who occasionally visit them. Finally, Sir, I have only to say that symptomatic of this Government, they have put taxes even on the *Prasad* which is sold i temples. ...*(Interruptions)*

THE VICE-CHAIRMAN (PRO CHANDRESH P. THAKUR): Last tim also, you got into trouble on this issu ...*(Interruptions)*. .

SHRI SUBRAMANIAN SWAMY The DMK need not teach me abo religion, as you know, Sir, they a Godless people; they are not suppose to know about religion at least, unle they have changed their character, I d not know, in which case they must mak an announcement that henceforth the believe in God. ...*(Interruptions)*... Palani, there is a very famous templ sometimes called Subramania Swam Temple, sometimes called Muruga Temple and actually in the north it called Kartikeya Temple. There, Si they prepare a *prasad* which is calle *Panchamritam* and it is sold and it providing revenue for the temple. Ar to our surprise, this Government h treated *Panchamritam* as jam and sinc they have put tax on jam, they hav decided to tax that *Panchamritam* als and not to be left behind the DM Government climbed on to a 30 per ce tax put by the Centre, they have put 1 per cent tax on top of that. So there 45 per cent tax on the *Prasad* of temple and all the devotees are up arms.

SHRI V. GOPALSAMY (Tam Nadu): It is all wrong... (*Interruption*

SHRI SUBRAMANIAN SWAMY: C course, the DMK does not forcs elections very soon and so, they are n worried. But the fact of the matter that this is a tax which the Finan Minister must remove, Sir. This wrong. It has hurt the sentiments of th people and it has nothing to do with th revenue collection.

SHRI V. GOPALSAMY: What h says is totally wrong, Sir. Th 'Panchamritam' which is sold for th *bhaktas* is not taxed; there is no tax c that...*(Interruptions)*...

SHRI SUBRAMANIAN SWAMY: Let the Minister clarify it; let the Minister tell me whether I am correct or not. I am not prepared to believe anything which Mr. Gopalsamy says.

THE VICE-CHAIRMAN (PROF. CHANDRESH P. THAKUR): The best way is that both the Swamy's should offer a sample of the Prasad to the Members of the House!

SHRI SUBRAMANIAN SWAMY: On my next visit, I will do it.

PROF. SOURENDRA BHATTACHARJEE: Is it a ruling?

SHRI SUBRAMANIAN SWAMY: But Mr. Gopalsamy cannot go to the temple. If he goes, he will be expelled from the party...*(Interruptions)*...

SHRI V. GOPALSAMY: In Tirupati in Andhra Pradesh, the *laddhu* is being taxed.

SHRI SUBRAMANIAN SWAMY: You worry about Andhra Pradesh separately. I am worried about this because this is something which has not happened before. Anyway, Sir, Mr. Gopalsamy cannot go to the temple and if he goes there, he will be expelled from the party for believing in religion.

Anyway, in conclusion, I would say that the Finance Minister should not have tried to trick us with a Budget with all kinds of magic and make believe figures. But what is necessary for him to do is to engage in a major tax reform and, if necessary, in tune with the habit of the National Front Government, he can appoint another committee to have the matter looked into. But the fact is that this is necessary along with the abolition of the Sales Tax. Thank you, Sir.

SHRI RAMESHWAR THAKUR (Bihar): Mr. Vice-Chairman, Sir, I would like to make a few observations on the Union Duties of Excise (Distribution) Amendment Bill, 1990 and the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1990.

Sir, we are all aware that these are based on the Acts of 1957 and 1979 and every year we have the distribution based on the recommendations of the Finance Commission. So far as distribution is concerned, before we come to that question, it is advisable that we look into the collection part itself.

Sir, the honourable Finance Minister has, in his Budget Speech, in para 103, stated that the main thrust of the proposals, that is of Excise Duties or indirect taxes is simplification and rationalisation and he has also said that simultaneously he has attempted to mobilise some resources in a manner that does not hurt the common man and, at the same time, helps to curb elitist consumption. The major emphasis has been on mobilising resources for growth. We know that all this is based on the expectations of the Finance Minister. Therefore, we would like to know whether rationalisation and simplification have taken place. That is one thing. Secondly, we would like to know whether the resources mobilisation has not been proportionately higher than warranted by circumstances and we would like to know also what has been the impact on the prices and on the growth and exports. These are the parameters within which we can judge the reforms made.

We are all aware that indirect taxes constitute more than three-fourths of the revenue and this has been growing every year. The actual collection of Union Excise Duties has risen from Rs. 16,345 crores in 1987-88 to Rs. 18,749 in 1988-89, and it is likely to go much higher so far as the current year's budget is concerned. Now, we are happy with some of the measures of relief given by the honourable Finance Minister in regard to agriculture, particularly for pesticides, and also the exemption in relation to rapeseed oil, mustard oil, and excise duty reduction on coffee, full exemption from excise duty of certain kinds of paper and paperboards. However, people find the total levy has been very high. The total

levy as per his own Budget Speech, is Rs. 778.63 crores — concessions are Rs. 388.44 crores and the net additional levy is Rs. 390.19 crores out of which the Centre's share — it is important — will be Rs. 217.12 crores and the States together will get only Rs. 173.07 crores. Similarly in customs also the same situation. Additions made have been of the order of Rs. 979.79 crores. The net relief is only Rs. 144.76 crores. The total not tax will be of the order of Rs. 835.03 crores. These additional levies+several other levies including on petrol and diesel — as we are all aware, on petroleum products, railways, and so on — all these have resulted in — we have discussed this in the House — an over all rise in prices in many directions. Therefore, the contention of the honourable Minister that these will not affect the common man has not been fulfilled. Similarly about growth. Costs have gone up. The cost of production has gone up and naturally it will affect growth in the current year. Similarly exports: It has been explained by export organisations that in view of the rising prices allround in the world market you will have competition and the growth of exports which was very high, up to 28% last year, is likely to be affected by this. Therefore, I would request the honourable Finance Minister still to consider how far these objectives have been fulfilled.

[The Vice-Chairman (Shri Bhuvnesh Chaturvedi) in the Chair]

The second important point is, apart from the rates and the levies, the system itself has not worked well. It is not a question of levies or additional levies. The question is how we are able to objectively, in compliance with the rules and regulations, provide the simplification and rationalisation about which the honourable Finance Minister spoke. Has that been achieved? I think our own observations may not be sufficient. I would like to quote the Comptroller and Auditor General of India's latest report on the Union Government's revenue receipts in direct taxes, No. 5 of 1990. This report has said that as a result of audit of the post assessment records of the Customs and Central Excise Departments during the period 1st April 1988 to 31st March 1989 there was underassessment of tax and loss of revenue to the tune of Rs. 221.17 crores. Under the Ministry of Finance Customs and Central Excise Collectors have already accepted out of this under statement losses of revenue amounting to Rs. 45.05 crores. And then the number of objections raised in the audit up to 31-3-1988 and pending settlement as on 30-9-1988 was Rs. 11,215 having a revenue effect of Rs. 684.30 crores. Now, Sir, if such is the situation that even the Department is not able to meet the audit objections of such magnitude, the Audit Report further proceeds to say:

> "The high pendency of audit objections suggested that there was room for augmenting the resources.."

And, therefore, I would like to say that these studies of the Comptroller and Auditor-General have not achieved the desired objectives. The Comptroller and Auditor-General says:

> "The studies revealed that the desired objectives have not been achieved, the rules framed and procedures had not been properly applied and the internal controls were inadequate."

Now, may I request the hon. Finance Minister that in the light of the fact that he has mentioned about rationalisation and simplifications whether these would be looked into deeply and effective steps taken to ensure proper collections and to see that rules and regulations are followed and there are no leakages on account of collections in such a large number of cases.

Now, Sir, one item regarding the distribution part of it. We all agree that the Ninth Finance Commission has done

[Shri Rameshwar Thakur]

a very commendable work and has taken a very scientific and rational approach, but as has been rightly pointed out by the Chairman, Mr. Salve, and some colleagues in the House, it is not that all the solution will be found by the Finance Commission alone. We are a part of the planned economy and unless remedial steps are taken in regard to the regional imbalances, which is one of the basic objectives in each and every Plan right from the first Plan, in spite of that we find that there are regional imbalances in different parts of the country and in different parts of the State itself.

Therefore, it needs a very careful consideration and a very special consideration especially by the Planning Commission as to how these are to be removed. Also, the Finance Ministry should look into this aspect. The basic thing, as has been mentioned about regional imbalances, is that due to less investment in many areas — Mr. Chaturanan Mishra hails from Bihar and I also hail from Bihar; we have mentioned that from year to year we have seen that from the first Plan allocation has been less as compared to the all-India allocation. Now, if there is less allocation by the Planning Commission of the Plan outlay to a State, apart from other factors, naturally there will be regional imbalance. And this is a fact accepted by all. There must be some reason how we have to remove this. Such imbalances are there. North-eastern States are there. Other States are there.

Secondly, lesser shares being given of the revenue, whether there could be some more special conditions in regard to States which are really very backward. And as has been rightly said, certain concessions have been made in the case of collections of a State, as Mr. Chaturanan Mishra said, as in Bombay and Calcutta; this has been happening in many other States. The collections of direct and indirect taxes certainly affects their collection position, their own resource position. Therefore, this needs also to be taken into consideration, even the Head Offices may be there but for the purposes of calculation whether we can take what is the amount of the revenue which is attributable to a particular State, though the Head Office may be the capital city.

Now, the third thing is about the *ad valorem* basis. This has been going on for a long time. We have to see that, for instance, why not *ad valorem* tax should be levied in the case of coal and other minerals? And that certainly affects the revenue to the State and contributes to the backwardness of the State. And also the question is that of the consignment tax, which has already been mentioned and I would not take time of the honourable House. This needs very careful consideration, because this would certainly strengthen the economic position of a State like Bihar, and also freight equalisation. In North-eastern States like West Bengal, Bihar and other States, we feel that freight equalisation is a matter for concern. This has been discussed in the House on several occasions and this needs to be carefully considered. Some solution, without much adversely affecting the other States, has to be found out. You should not always mention that there is objection by some States and, therefore, no solution can be found. Something tangible should be achieved in this regard

I want to mention one more aspect and then I conclude. This Eighth Five-Year Plan is coming. We had a long-term fiscal policy earlier. I would request the hon. Finance Minister that there should be a long-term fiscal policy announced by him at the earliest — I would say, by the next session of Parliament — which should give a policy framework of the direct and indirect taxes for the next 5 years. Subject to small modifications from time to time in the annual budgets, these policy matters should be adhered to. This will give stability to tax realisation and projection and also to the development of economy and its growth and exports. The

people who are in the production line will know what is likely to be the policy of the Government in regard to direct and indirect taxes. That is why, this long-term fiscal policy, co-terminous with the Eighth Plan, should be formulated. This should be announced and placed before the Parliament as early as possible.

As has been mentioned by my other friends, it is also necessary that levy of indirect taxes should be broad-based as far as possible. As has been mentioned by Dr. Subramanian Swamy, at the same time, it should not be so as to affect some of the commodities. It should be seen that marginal effect is not there. It should be avoided. It should not touch the items which affect the common man. Certainly the luxury items and other items which do not affect the common man may be taxed more. There should be a very detailed and in-depth study — rather I would say 'research' in this direction. The long-term fiscal policy should give some of the parameters, the background and the basis on which the taxes direct as well as indirect in the years to come should be levied. It must give impetus to the growth of the economy in the Eighth Five-year Plan. With these words, I support the measures. Thank you.

THE VICE-CHAIRMAN (SHRI BHUVNESH CHATURVEDI): Mr. Sunil Basu Ray. You have only 9 minutes.

SHRI SUNIL BASU RAY (West Bengal): Mr. Vice-Chairman, Sir, I rise to support the two Bills, namely, the Union Duties of Excise (Distribution) Amendment Bill, 1990, further to amend the 1979 Act and the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1990, further to amend the 1957 Act, as amended up to 1989. These amendments have become consequential to the acceptance by the Central Government of the two Reports, particularly the Second Report (1990-1995), of the Ninth Finance Commission.

There are certain departures in the Second Report from the first one, mainly for the reason that the First Report was to uphold the Seventh Five-Year Plan format and not to disturb it. The Second Report was prepared by the Ninth Finance Commission for the Eighth Plan period. But will it suit the New Approach to the Eighth Plan?

The Report, however, contains a Note of Dissent from its member, Justice Abdul Sattar Qureshi. No cognisance of it has been taken by the Government. The issue of sharing the Excise Duty and Additional Excise Duty are really issues pertaining to sharing of resources between the Centre. In his Note Justice Qureshi says:

> "In all, the Centre has a disproportionately large resource base from which it derives colossal amounts as revenue The States have relatively a much smaller resource base. ...the States have to perpetually look to the Centre for financial assistance. Consequently, many States are languishing in poverty, illiteracy, widespread malnutrition, insufficient infrastructural facilities, etc. This is not a desirable state of affairs. ... Now the time is ripe for giving the second look at the relative resource base of the Centre and the States... Should be gone into by a high-powered independent body." (8.1, Page 55, Part II). He further pleaded: "In a democratic set-up, the States have to give positive response to the needs, aspirations and reasonable expectations of the people... It is very essential that the States should have fairly strong resource base. The equitable distribution of resources between the Centre and the States would in no way weaken the Centre... Financially strong States would bring about a stronger Centre."

[Shri Sunil Basu Ray]

Sir, the reaction of the Finance Minister to the second part of the Ninth Finance Commission is not happy. His speech says that in addition to Rs. 12,848 crores — earlier it was Rs. 10,450 crores for 1989-90 — a sum of Rs. 773 crores, totalling Rs. 13,621 crores will go for State assistance. According to the Finance Minister, "It will cause an additional burden" which is not correct. Actually, the Centre is granting to the States which belongs to the States, but, partially. As Justice Qureshi says, "the Constitution provides for the sharing of the proceeds of the individual income-tax alone." The net is, however, spread over a much wider area.

Sir, there was an attempt to take away more from the States by merging both the taxes. If it had been done, it would have deprived the States. The West Bengal Government's Note to the Ninth Finance Commission, in this respect says:

> "If the merger is done, no one can ask further questions about unfulfilled commitments in relation to additional excise duties if these are indistinguishably merged with the basic duties. We strongly oppose this consideration of merger and ask back the power of the States to levy sales-tax on these items as a consequence of failure to honour the agreement by the Centre." Happily, it was not done, and it should not be done.

But, apparently, the financial outlook and the basic philosophy of development are yet to take shape, and separate themselves from the outlook and philosophy of the earlier Government.

Sir, the approval to the Bills would mean merely to maintain *status quo* A radical change is needed. It cannot wait.

Sir, as it is to be found from the latest CAG Report, due to wrong assessment, an amount of Rs. 700 to Rs. 800 crores was lost to the Government. This is the way in which our financial administration was operating in the earlier period. And I hope our Minister will correct it. The question of States' resources is very much serious because if we want to really help the States, then we must go into it and restore back to them the consignment tax dues and the tax on coal, steel, etc. This should be equally shared between the States, and the present state of affairs should be discontinued. If it is not done, then the disadvantageous tariff that is being in existence at the present moment will continue, and that will continue to be disadvantageous to all the States. The present Bills do not actually change the situation much. But whatever change is there, the change is against the poorer States. Now, about this formula, earlier it was 45 per cent — 40 per cent, and 5 per cent for the poorer States. Now it has become 45 per cent to all thereby depriving the poorer States of their due share. So, I request the Finance Minister to restore to the poorer States their due share which they were earlier being paid.

With these words, Sir, I support these two Bills. And I also hope that the Finance Minister will look into the proposals that I have made and after duly considering them, incorporate them in the Bills.

Another suggestion I want to make is that the question of resource-sharing between the States and the Centre should be discussed in the House fully, not in a partial or in any other way. I hope, the Finance Minister will come forward with a fullfledged proposal on this. Specially, in the context of the Approach paper to the Eighth Plan and in the context of the Eighth Plan itself, these discussions are very much necessary so that we can integrate and unite the country financially, politically, morally and emotionally. Therefore, all these points must be considered in the context of the entire finances of the country. Thank you for giving me some time to speak out my mind.

PROF. SOURENDRA BHATTACHARJEE: Mr. Vice-Chairman Sir, perhaps, the scope of these two Bills is limited, limited in the sense that it is based upon the report of the Ninth

Finance Commission. The Chairman of the Commission, I think, was here. But...

PROF. CHANDRESH P. THAKUR (Bihar): He is still here.

PROF. SOURENDRA BHATTACHARJEE: I am very glad that he is still here.

PROF. CHANDRESH P. THAKUR: Mr. Vice-Chairman, just a point of information. Is there any chance of our discussing the Finance Commission's report in the House? Will the Finance Minister consider it?

PROF. MADHU DANDAVATE: Only the last report was discussed. I initiated the discussion. Otherwise, generally, there has been no discussion.

PROF. CHANDRESH P. THAKUR: But this time, what is the position. It may not be a bad idea to discuss it. There is such a widespread interest.

THE VICE-CHAIRMAN (SHRI BHUVNESH CHATURVEDI): Please continue, Prof. Bhattacharjee.

PROF. SOURENDRA BHATTACHARJEE: Mr. Vice-Chairman, certain basic points are there, which are long-pending, regarding the question of resources of the States, the disadvantage suffered by the States, in relation to the Centre, for a long time, particularly, during the regime of the previous Government. The situation, in this regard, deteriorated very much, so much so that regular raising of administered prices of different commodities was seen as a device to deprive the States. Equally so, in regard to the question of abolition of sales-tax in favour of some divisible Central tax. No State could believe that the Centre would do justice to it.

You must realise that, at present, the States have only one important source of revenue, namely, sales tax. The land revenue is practically non-existent. In view of this, the distribution of income-tax and the distribution of excise duties have become very much important. They have become important, more so, in the context of the growing responsibility of the State Governments. They have to bear the burden of all welfare activities. The Central Government is, more or less, entrusted with the responsibility of just overseeing them and, at the same time, having all the resources of the country in its hands. This is the equation which may be called imbalance. This imbalance requires to be remedied. I do not mean that this year, it can be done. The Finance Commission was set up in 1987. Of course, its recommendations, in certain respects, are quite good, but I do not know how far they are scientific. I am not a student of science. But I am aware that science can both be destructive and constructive. How it is applied is the real question. So long, it was not properly applied. My humble request to the Finance Minister would be as was suggested by the earlier Speaker, hon. Shri Basu Ray, that something should be done to examine the financial questions with a radical outlook keeping the interest of the States also in view. When we say, Centre and the States represent the country, their strength is the strength of the country, keeping this in view a fresh look has become necessary. Even the Gadgil formula in many respects was very progressive one. It has been serving the purpose for quite a long time. But to keep pace with the time it may be necessary to have a fresh look on it. I request the Finance Minister to take that also into account.

The more the States should feel that they are not discriminated against the more the country will be benefited. You know of the grievances of the Eastern region of the country with regard to freight equalisation, the benefit of which does not extend to the Eastern region. All the adversities have to be faced by them. It has been accepted in principle that freight equalisation should be abolished but if it is not followed by action, what is the use of that 'acceptance in principle'? The decision was taken quite some time back, not during this regime, even during the earlier regime,

Prof. Sourendra Bhattacharjee]

Now if they are convinced that their demand is justified, I request not to delay this thing, not to exacerbate the feeling of the people in the Eastern region.

Then there is the question of royalty of oil, coal, steel and other products. I need not enumerate all these things, but it is essential that the matter is taken on hand as early as possible.

Lastly, Shri Morarka referred to direct and indirect taxes. He seemed to be in favour of indirect taxes more than the direct taxes. He is not satisfied with the ratio of 87:13 between the indirect and the direct taxes! Direct taxes affect the nation since they are difficult in collection, preventing evasion and so on, but as Shri Jagesh Desai was telling, direct taxes mean, those people who can pay, do pay, but in indirect taxes what do you do? In France, on the eve of the French Revolution, there was a situation when those who could pay the taxes did pay, those who were unable to pay the taxes they were made to part with 87 francs out of one hundred. If in our country that thing has to be enacted, enacted repeatedly and continued unabatedly, that would be great misfortune for the country. It is also not the proper way to make our citizens bear their national responsibility like this. Anyway, this tussle has been going on for long in our country and unfortunately the balance is tilted in favour of indirect taxes because it is easier to realise. And whether you are able to pay it or not, you are in its net. As an indiscriminate network, it may not be very well applied, but I will say that nobody gets greater and greater satisfaction which in the long run is not helpful for any government in the country. As a part of the establishment, the new Government also has to continue certain things which began during the time of the previous regime. But I would hope that it is time for the present Government to initiate certain steps to reorient the economic priorities, distribution and other things. Thank you.

SHRI V. GOPALSAMY: Mr. Vice-Chairman, Sir, I would like to draw the kind attention of our hon. Finance Minister to the problem of small scale cottage sector match units in Tamil Nadu, consequent on the re-structuring of central excise duty for the 1988-89 budget, releasing an amount of Rs. 11 crores. This concessional duty has mostly gone to the mechanised, semi-mechanised and small scale handmade sectors of the industry, depriving the cottage sector. As a result, the cottage sector has lost all the marketing potentiality, being unable to compete with the other sectors in the industry.

Sir, the cottage sector match units are around ten thousand in number and employ 3 lakh rural workers, mostly in their homes. The other three sectors put together have only 900 units and employ only 50,000 people, mostly in urban areas. Hence the cottage sector deserves all governmental patronage.

Realising the difficulties of the cottage sector, the Tamil Nadu Government passed a resolution in the State Legislature on 12-5-89, requesting the then Central Government to restore the pre-budget i.e. 1988-89 — difference, but it was turned down. Again, on 14-12-89, the State Committee on long-term strategy for industrialisation headed by the hon. Chief Minister of Tamil Nadu also favoured the pre-budget differentiality of excise duty for all sectors.

A study will prove how the differentialities in the duty structure between the cottage sector and other sectors have been narrowed down right from 1984 to 1989, detrimental to the interests of the cottage sector.

Sir, the Central excise duty for the mechanised sector during 1980 per gross was Rs. 7.20. For the cottage sector, in the year 1980, the production limit for cottage sector was 120 million per year. Upto that they could avail of duty of Rs. 1.60. The difference between the

mechanised sector — mostly WIMCO, the monopolist — and the cottage sector was Rs. 5.60. Again in the year 1984, for the mechanised sector, it was reduced from Rs. 7.20 to Rs. 6.85, whereas for the cottage sector, it remained the same — Rs. 1.60.

Again, in 1985, it was further reduced for the mechanised sector -- i.e. Wimco -- from Rs. 6.85 to Rs. 5.85. Again, after 1989, it was further reduced from Rs. 5.85 to Rs. 4.50, which is the present rate. For the cottage sector, the duty had been reduced from Rs. 1.60 to Rs. 1.10. It may look as if there has been a reduction of 50 paise for the cottage sector, but the problem is that the difference has been narrowed down. The duty difference which was previously Rs. 5.60 is now only Rs. 3.40. Therefore, the mechanized and semi-mechanized sectors are able to sell matches at a much lower price. At the same time, the cottage sector cannot compete with them. My point is; you need not even reduce the duty for the cottage sector from Rs. 1.60 to Rs. 1.10. This reduction of 50 paise, if I may say so, is not necessary. The difference should be maintained, the ratio should be maintained, and then only they can compete with the machanized and semi-mechanized sectors.

Sir, for example, out of 3.5 lakh people who are engaged in the match manufacturing industry, three lakh people are engaged in the cottage sector alone. I come from that area. In the northern part of my district, that is, Tirunelveli, and also in the Kamaraj district, and Sattur, Kovilpatti, Virudhunagar and Sivakasi areas, both the sectors are working. But, mostly it was the cottage sector which was encouraged by the Government concessions and they never expected this problem. They never expected that the difference would be so narrowed down. Therefore, my request is it is high time the differential is restored. I would request the honourable Finance Minister to restore the difference in the ratio which was existing prior to 1st March, 1989. I strongly feel that for a healthy competition in the core sector of the match manufacturing industry, the differential that existed prior to 1st March, 1989 should be restored and the duty fixed in terms of 100 boxes. This will reasonably help all the sectors to flourish as previously and the Goverment exchequer also will not be strained.

Sir, I see the problem with my own eyes and I feel that the match manufacturing industry will be totally ruined, as far as the cottage sector in these areas is concerned, if this differential is not restored. Therefore, the difference prior to 1st of March 1989 must be restored. This is a very important thing. Once the honourable Finance Minister gives this concession, they will have a sigh of relief.

Sir, there is one more aspect. As far as the match manufacturing industry is concerned, potassium chloride is one of the main ingredients — raw material. Previously it was a scarce material. Now they produce this potassium chloride. But those units which come under the Small-Scale Industry (SSI), were enjoying a concession and up to Rs. 15 lakhs there was no duty. Then, from Rs. 15 lakhs to Rs. 75 lakhs the duty was only 5 percent whereas for the other sector it was 15 percent throughout. Sir, we are terribly shocked that this relief on duty has now been taken away. For any other product in India, which comes under the SSI, duty reliefs have not been taken away, but only for potassium chloride the duty concession which was given to the SSI has been taken away. Now, Sir, in these units which come under SSI, according to my information, the cost of production per tonne is Rs 14, 500. Now, Sir, per tonne of potassium chloride manufactured, I am told that they have to face a loss of Rs. 1,500. This is the small-scale sector and this will ruin the industry. Once this small-scale sector is ruined, again the material will become scarce. Therefore, I would request the

[Shri V. Gopalsamy]

honourable Finance Minister to kindly give the concession to these samll-scale industrial units which come under SSI because, when all other industries are enjoying concessions, duty relief and the other things, why should they lose the concession on the manufacture of potassium chloride under SSI? This is another important factor. Otherwise, all these units will have to be closed down. Therefore, I would request the hon. Finance Minister to give the relief. The Tamil Nadu Government also has passed a resolution on these two counts. One is that the duty difference between the mechanised sector and the cottage sector should be restored as it was prior to the 1st of March, 1989, and the other that the duty concession to potassium chloride units also should be given to the SSI.

Thank You, sir.

PROF. MADHU DANDAVATE: Mr. Vice-Chairman, I am thankful to the hon. Members who have participated in the debate and extended their wholehearted support to both the Bills.

Sir, the scope of these two Bills is extremely limited because it is only based on the recommendations of the Ninth Finance Commission Report. Since the scope was limited, only specific issues could have been raised. But as Jageshbhai and Dr. Swamy made it extremely clear, they made up for the lost opportunity of the Finance Bill. I do not blame them. In the parliamentary parlance you have always to make up for the lost opportunities, and you did it. I have no quarrel with that. Therefore, you have made some general suggestions also. We will keep them in mind. We are also going to have the price-rise-debate reply here. At that time, I will take note of whatever suggestions you have made.

Firstly, I must thank the Finance Commission and particularly its Chairman for having produced a document which has a scientific basis. No doubt, some would differ with some of the recommendations. But I don't think that any Chairman of any Finance Commission will be able to produce a report that will satisfy all the States because of the resource constraint. I carefuly went through the entire report, and looked at the agencies they invited, the consulted, the voluminous information that they sought from the Finance Ministry and other Ministries, and on the basis of that, they produced a report. Nobody raised that question in a pointed manner, but obliquely it was suggested that some changes would be possible.

Sir, this is the Ninth Finance Commission Report. I carefully went through all the debates on the Eighth Finance Commission reports and the corresponding Bills that were passed. I find that it is an accepted convention of this House as well as the other place that normally broad recommendations of the Finance Commission are always accepted by the Government. We have kept up the same convention. There is a certain rationale behind that convention. It is not just a freak of imagination, but there is a certain basis for that. For all the years past a Finance commission report has been given a certain constitutional status, and as a result of that, the recommendations of the Finance Commission are always treated like an award. It is taken for granted that there are certain financial constraints. The States sometime have got conflicting viewpoints. They could be accommodated as far as possible in the context of the Finance Commission's work. No partisan attitudes are taken, and no questions expressed, but an objective view is tried to be taken. As a result of that, the recommendations which are made by the Finance Commission are normally accepted by the Government as some sort of an award. Therefore, broadly we accepted all the recommendations. Not that there might be no variations. But broadly we have accepted them.

We must also remember certain limitations, the controversy about 1971 and 1981 population. You go through the

terms of reference. I don't think that the Finance Commission can go beyond the terms of reference. In the terms of reference when 1971 population reference was clearly mentioned, I don't think it could go beyond that.

But as far as the second Bill is concerned, for that exercise they accepted 1971 as the basis because that was treated as the proxy consumption and on that basis actually the figures were got.

Some Members have also made a reference to the merger of both, that is, the excise duty in lieu of sales tax and the general excise duty. And they pleaded that the merger would have been better. But here again—as Mr. Kamal Morarka rightly pointed out—if you go from the recommendations and observations made by various States before the Commission, you will find that most of the States have opposed merger of both. I think the Chairman will correct me if I am wrong, but by and large all the States had opposed it. Therefore, they were compelled to take a particular attitude as far as the merger is concerned.

Then there is one more aspect to which I must make a reference. At the other place some Members had suggested that there is no need of Finance Commission independently taking up the entire exercise, that responsibility should be handed over to the Planning Commission. First, I do not agree with that. But there is also another suggestion. I think the Chairman will agree with my suggestion. For the effective functioning and for the convenience of both the bodies, the tenure of both the Planning Commission as well as the Finance Commission should be coterminous. That would be highly helpful for the functioning of both the Planning Commission as well as the Finance Commission.

Our friends from Bihar raised the question that instead of taking poverty as the basis, backwardness has been taken as the basis. The Chairman, intervening had rightly pointed out that it was a great tragedy that while every Government has given priority to "poverty alleviation programme", adequate figures were not available regarding statistics of people living below the poverty line. In fact, poverty line itself is a controversial proposition. It has been fixed up on the basis of minimum calories required to sustain one's life when one is a working person. Now on that itself even in the Gokhale institute various types of concepts have been put forward. I humorously on one occasion had said that there are two ways of lifting people above the poverty line. One is to redefine the poverty-line so that the line can be depressed and the people can be automatically lifted up. The second method is really to try to revise the poverty line, that more calories are needed because the consumption patterns in the South and the North require that even the definition of minimum calories that are required has to be redefined in a slightly different way. But, in any case, not going into that the fact is—again I do not take a partisan view; even Mr. Slave will admit—that when we are hardly a few days in power, we cannot provide them all the necessary statistics. But, at the same time, I am not among those who will put all the burden on the past Government. "Heads I win and tails you lose" is not my attitude for the simple reason that I am heading a certain apparatus called the Finance Ministry. The previous Government also headed a certain apparatus called the Finance Ministry. The Ministers might have changed and the Governments might have changed, but there is a continuity of the administration. I think it is the responsibility of the machinery of the Finance Ministry and so many other ministries—the Labour Ministry, the Social Ministries and the Agriculture Ministry—to adequately collect all the statistics on the basis of the definition of poverty line. Unfortunately, they were not available. If those were available to Salve Ji, I am sure, he would have accepted poverty as the basis.

[Prof. Madhu Dandavate]

I think my friend has gone, but even in his absence I must rebut his argument. He says, as a result of the change from the poverty definition to the definition on the basis of backwardness, Bihar has lost. Bihar has not lost. As far as Bihar is concerned, during 1989-90, they got the share of the taxes to the tune of Rs. 1,455 crores and now during 1990-91, they get Rs. 1,606 crores. So, whether you take poverty as the basis or the backwardness as the basis, fortunately or unfortunately I must say that backwardness and poverty are also coterminous. It does not happen in all the cases, but as far as Bihar is concerned, whose issue he has raised and he wanted to know quantitatively whether they have suffered, I can assure him that they have not suffered. Of course, that is not to say that backwardness alone should be the criterion. I myself would prefer poverty as the criterion. On the basis of that if figures are worked out, definitely better justice could be done, but that should be arranged.

Then there is one more aspect.

SHRI N.K.P. SALVE: Sir, do I take it as an assurance to this House by the Finance Minister that his Ministry and other connected Ministries will now take up the work of computing the correct statistics and data about the poverty ?

5.00 P.M.

SHRI RAMESHWAR THAKUR: On the basis of the latest figure, as the Finance Minister said, States like Bihar will be compensated for the loss... *(Interruptions)* ... Therefore, it needs special consideration.

PROF. MADHU DANDAVATE: Don't stretch my assurance too far. If we go on compensating with retrospective effect, probably it is not possible for us to function. Only I would like to remain as the Finance Minister with retrospective effect and not with prospective effect. So it is not always possible. It is a far cry. Anyway I would like to assure him, I am expressing my view-point we can discuss with other Ministries. But I personally feel rather than backwardness, poverty basis would be rational and it will be our endeavour to see that we shall try to create the necessary statistics so that necessary material will be available to evaluate all the indices on that basis.

Some friends have said that there is no necessity of accepting this Commission's report though it might be a tradition to accept it straightway. But there is a certain rationale behind that and I will give you the concrete experience that I gained in the course of the last few months. What happens is that if we broadly accept the recommendations of the Finance Commission, there is one realistic gain and that can be accrue to all the States. Once we adopt the Finance Commission recommendations, on the basis of that Bills are adopted and they will become acts for the sharing of excise duties and other taxes. In that case the advantage always is that some of the States which are in financial difficulties, they start with initial deficits. Some of them are hilly States. Some of them are backward States. Some of the States are with maximum desert areas. In such areas the resource mobilisation is slow It cannot be accelerated as much as in other States. Very often they are in financial difficulties. If we know what is the share of the resources of the Centre and the States to be shared, we can assure them that we can give them in advance three months share so that temporary difficulties can be overcome and then they can try to mobilise the resources further. That is what we have been able to do for some time. I think if advantage is to accrued, it is better after the presentation of the Finance Commission's report. If for months together we keep it pending, we do not know when it is to be adopted. After adoption only the sharing can start. You cannot actually anticipate. That point is to be kept in mind.

SHRI JAGESH DESAI: Will you yield for a minute?

Some States are not inclined to mobilise resources through taxation. That is why they are in deficit. For that purpose what are you going to do?

PROF. MADHU DANDAVATE: I am not talking about defaulting States. I am talking about States which are having genuine difficulties. It has been found out if some ways and means are provided and in advance three months resources are provided to them with an assurance -- what are your plans, how you propose to raise the resources in the coming few months -- that we will share the burden, I think, we can go a long way in meeting their difficulties, at the same time, ensuring proper resource mobilisation.

Then Jageshji had raised the question of commodities to be included. That was the aspect of the Bill which he touched very vigorously. I have carefully gone through all the nine Finance Commission reports and one commendable aspect of the nine reports is every report has tried to concentrate on the need to expand commodities to be brought into the ambit of the Finance Bill. I do not want to read out the entire thing from the chart which is before me. But if you take the first Finance Commission's report, the amount, the excise duty that was to be distributed, the share was 40 per cent and the commodities at that time were matches, tobacco and vegetable products. These were the only three items. But later on there were further additions. In the next report, three more commodities were added and in the third all durable commodities except motor spirit and those which yielded less than Rs. 50 lakhs annually were added. So like that every time they went on revising, the Commodities to be so included and as a result of that, the States could get. It has been a continuing process as far as the Finance Commission is concerned. Therefore, I find that this issue which was a controversial issue raised by some Members, I think the Finance Commission was already aware of it. Then our irrepressible Member, Dr. Subramanian Swamy, raised the question of *Prasad* of the temple. If Swamy does not talk of the *Prasad*, who else will? Bhaktas may not talk but the Swamis will talk about it. For instance, he raised the question of particular *Prasad* being distributed in a temple and he said, Madhu Dandavate was the first to tax it. It is not that because I am an iconoclast, I am taking that attitude. But that attitude has been taken not in relation to any *Prasad*. I will give you a concrete instance. When I was Railway Minister, there was a certain freight charge as far as the movement of plantains and bananas are concerned. They are produced by the cooperative societies in Khandesh and other areas. Suppose you fix up that particular freight charge and the same bananas are used by some temples for distribution as Prasad, and the Swamis go on campaigning, "See, the Prasad is in plenty but the Railway Minister has taken an unprecedented step of trying to have freight charge on the bananas." Now bananas are after all bananas. Persons like me use them just for breakfast or those who are devotees, they can utilise it as Prasad. We know whether it is Prasad or whether it is the breakfast commodity, the question is, banana is banana and whatever be the charges fixed up, they are fixed up that way. If the prices go down, they go down for all. If they go up, they go up for all. He mentioned it in a rhetorical way. I don't think he meant it. But he wanted to create a certain side-effect and he is free to do it and if Swamy does not produce the side effect, who else will produce and therefore I have no quarrel with him. But if jam has been levied to a certain extent whether jam is used for breakfast or for toasts or whether it is utilised as a constituent of Prasad that is distributed, it is none of my concern and therefore he should not try to put a religious interpretation on a simple levy question. That is what I wanted to point out.

SHRI V. GOPALSAMY: He is totally unaware of what is happening at the Palani temple. He is totally misleading the House.

PROF. MADHU DANDAVATE: Then, as far as the sharing is concerned, it was pointed out that as a result of the sharing, some people have blamed the Finance Commission because they had put 45 per cent and again they had talked about deficits. They had also talked of certain amount to be distributed to others and therefore from those who have not got deficit, to that extent, it will be decreased. All those calculations are correct. But with all that, what is the net result? In 1989-90 Budget estimates, the States got substantial increase in their share of taxes. In 1989-90. it was Rs. 12,438 crores and we find that in 1990-91, it is Rs. 14,426 crores and we had taken the effect produced by the Finance Commission report into account and we found that as a result of that the increase will be Rs. 1988 crores. So, there should be absolutely nothing to be feared about as a result of these calculations that they have made and I think there is a scientific aspect about that. They had taken note of the fact that if there are initial deficits and they produce certain results, in that case, certain amounts will have to be spent on them and when we have got the developed States and those States which are deficit States, I think because we have an integrated India, we must take a comprehensive attitude just as we always talk that the world is divided between the developed world and the developing world. But even the developed world is told by Brand Commission that ultimately if you have become developed it is because for years together, you exploited certain colonies and therefore they are described today as developing and others as developed world and therefore, there is a question of resource distribution. It is not for nothing that at the recent meeting of the IMF it was agreed that whenever developing countries are having large arrears to be paid, in that case as far as arrears burden is concerned, it should be shared by the developed world and the developing countries in the ratio of 3:1. I think it is the moral responsibility of the developed world also to do it because to some extent, historically, their development is also due to the fact that they exploited certain colonies and as a result of that, some colonies remained undeveloped and some have become developed and therefore it is not only the financial but the moral responsibility also. That is the attitude that we take.

That is the attitude that we take. And therefore, if the Finance Commission has recommended something by which some States which are in a position may lose something. but it will be given over to those States which have got revenue deficit, I do not think that those of us who want to take any integrated picture of India should grudge that. This is the aspect that has to be borne in mind. These are the various suggestions that were made. (*Interruptions*). Mr. Gopalsamy, I am coming to that. You have said something which is again something not connected directly. I know why you have done that.

Mr Kamal Morarka raised two important questions. I think that is also patent if you carefully go through the Finance Commission's report. It is already there. It is on the question of cess. He rightly says that in order that there should be availability of sharing for all, we should shift the emphasis away from cess. I think that the Finance Commission has exactly said that in course of time, gradually, we should have a change of our system in which there will be less emphasis on cess so that better devolution of resources will be possible. And this being the general perception, we have taken that attitude.

Again, he has talked about the famous controversy between *ad valorem* and specifics. Definitely there is an advantage of one over another. But there again if I mistake not, the Finance Commission has also said that the entire process and the machinery should be such that we

gradually move from specifics to *ad valorem* Already it is stated there. I think the effort of every Government will be to keep in mind the recommendations that have been made by the Finance Commission which are not partisan recommendations but are findings of a collective thinking by economists, by those who are tax experts and by those who are experts in various fields. As a result of that, it was evolved and therefore, it is not partisan and is a general recommendation. If we gradually move in that direction, many problems will be solved.

And then, my friend from Tamil Nadu has pointed out the problems of non-mechanised and mechanised industries. He has talked, for instance, about match-manufacturers and pointed out the difficulties of the cottage industries. In fact, one of the problems in this country is that we have got the coexistence of three sectors. But along with their co-existence, there is also co-destruction because there is a competition between two. We find that certain sectors cannot stand competition. If Wimco goes ahead with a manufacturing company for matches and the same activity is allowed to be taken up by a cottage industry, in that case, the competition of the small sector will never survive. Therefore, gradually, there is no other method but to in a fair manner, allow some sort of a reservation for various commodities to be manufactured by various levels of manufacturers. When that is done, gradually the problem will be solved. I can assure my friend that we will definitely apply our mind to this particular problem because unless the decentralised sector in this country is strengthened and stabilised, the problem of unemployment will never be solved. When the new approach of the entire coming Plan is employment generation, in that case, it is very essential that we try to build up and stabilise the decentralised sector. If you take only the textile industry, you will find that maximum employment is provided by the cottage industry. Then just below that comes employment provided by the powerlooms and lastly comes the organised sector. And therefore, it is an accepted fact that the decentralised sector of industries will provide better jobs. Only they are to be provided better techniques of production and they are to be offered better marketing facilities. That is not being done. That is why that sector is getting killed. Therefore, we will take precautions. These are the aspects that were raised.

There were some other points raised. But they were extraneous to the debate. Some of them related to the price structure. Since I have yet, fortunately, to reply to the price debate—I do not know whether it will be tomorrow or the day-after-tomorrow—I will reply at that time. I will try to reply to some of the issues raised by Jageshji. I am thankful to the entire House. (*Interruptions*)

PROF. CHANDRESH P. THAKUR: It is reported that in one of the press conferences or meetings in Patna, in answer to the question whether you are going to raise the royalty on minerals at par with petroleum products, you said, "There are pressures of industrialised States. So I cannot do that." Does it mean that the pressures of some industrialised States are weighing more with you than the pressures of poverty-striken States? Is that the basis for taking a decision that there will be no parity with regard to the royalty on minerals so far as the States of West Bengal, Bihar and other mineral-producing States are concerned?

PROF. MADHU DANDAVATE: I am very sorry, if it has been repeated like that. The trouble sometimes over the financial issues is when you speak about them, the more elaborately you talk, the more confusion is sometimes created....(*Interruptions*)...In fact, nobody will crudely put that point of view and gets oneself into trouble at all... (*Interruptions*)... I would like to point out that the question of royalty has

PROF. MADHU DANDAVATE: to be discussed and reviewed *de novo* and whether it is the minerals or some other industrial products which are involved, I think, some sort of a balanced attitude will have to be taken and in that press conference I have only assured that we will definitely evolve such a balanced attitude and I would like to repeat that assurance on the floor of the House today. Sir, I am thankful to the entire House ...*(Interruptions)*...

SHRI JAGESH DESAI : Sir, in the recent Budget which you presented, it is mentioned that the States will get only Rs. 3 crores more on your additional duties. How are you going to manage it? ..*(Interruptions)*...

SHRI SUNIL BASU RAY : Sir, before you reply, please explain freight equalisation or whatever is being said. I would like to know whether you are going to accept it or not.

PROF. MADHU DANDAVATE: Really speaking, that issue, Sir, is...*(Interruptions)*...

SHRI KOTAIAH PRAGADA (Andhra Pradesh): Sir, I want a clarification. Powerloom cloth is not subject to levy of excise duty and certain State Governments including Andhra Pradesh want to levy sales tax on powerloom cloth; why not the Centre permit the State Government to levy sales tax on powerloom cloth because it is not subject to levy of excise duty?

PROF. MADHU DANDAVATE : In fact, all Members have widened the scope; it does not matter; otherwise they will feel that I am avoiding the issues. ...*(Interruptions)*... As far as the problem which my friend has raised is concerned, I had already replied to that question, once during the Question Hour and once during my reply to the General Budget. At that time, all were present. I have said that as far as freight equalisation is concerned, unfortunately, depending upon the location of States, there are varying attitudes to freight equalisation. I have met for two hours the Chief Minister of West Bengal. West Bengal and Bihar would be opposed to freight equalisation in respect of commodities that are coming from the South. And their demand is, either you cancel this freight equalisation altogether or secondly, as a second best alternative, you try to enlarge the scope of freight equalisation and introduce more commodities. I think we will have to evolve some sort of a consensus on this because there are conflicting interests of the States; I feel either in a joint meeting of the Chief Ministers of all the States as we are going to convene on the consignment tax on which a common formulation has to be evolved, or in the National Development Council we will have to evolve certain common approach to freight equalisation because extreme attitudes are taken and I assure the hon. Members, we will sort out the issues between various States and accordingly take a decision. ...*(Interruptions)*...

SHRI RAMESHWAR THAKUR: What about the long-term fiscal policy, Sir?

PROF. MADHU DANDAVATE: From short-term discussion you are going to long-term fiscal policy.

SHRI RAMESHWAR THAKUR: Sir, what is the thinking of the Government?

PROF. MADHU DANDAVATE: There is no question of thinking. I will tell you, we had already promised that we shall produce the document on long-term fiscal policy. I am happy to tell the House that our document on long-term fiscal policy is already ready, but we would like to discuss it with various Ministries. We would also like to take the opinion of some experts because it is the policy-document, that will dominate our taxation policies and so many other policies regarding economic problems in a long-stretched manner and since the document is already ready, I can assure you, I will make a firm commitment that that document will be laid on the Table of the House in the Monsoon Session of

Parliament and we will discuss it and we will debate it.

Another question that you have raised is the relationship between Excise Duty and Sales Tax. I am very sorry to say one thing here. Sir, on the question of Sales Tax and also on the question of octroi--Mr. Chavan is sitting here who has first-hand knowledge of the local bodies, municipal corporations, State Assemblies and also the Centre--if you take this as the spectrum, from the infra-red to ultra-violet, I think he will tell you that whenever the question of Octroi or Sales Tax comes up, the Centre will have one approach and the State Government will have another approach and, as far as the Octroi is concerned, the State Governments will have one approach and the municipalities will have another.

SHRI N.K.P. SALVE: Irrespective of parties.

PROF. MADHU DANDAVATE : Yes, irrespective of parties. It is just like on the border issue. On one side of the border, all parties are there and, on the other side of the border, again all the parties are there and they are all one. So, polarisation takes place sometimes due to border issue. But that type of polarisation takes place and is there on this issue also. Therefore, I do not think that you can put the question of Excise Duties and Sales Tax in a straight jacket and say, "Look Either Sales Tax is to be introduced or the other one.". If you go to the consumers, traders, and the common men, I tell you, they are dead against Sales Tax. But when you come to the agencies which collect the Sales Tax, the State Governments or, in the case of Octroi local bodies, they say that unless you are able to provide alternative sources of revenue, it is not possible for them to give this up.

SHRI N K.P. SALVE: And to provide employment also.

PROF. MADHU DANDAVATE: Yes, to provide employment also. Therefore, rationally replacing Sales Tax by proper Excise levy, with a certain formula to give a definite percentage of Excise Duty collections to the States, is a perfectly sound proposition. But, unfortunately, the States at present are not willing to accept it and it is only by persuasion that we can do it.

As far as the Centre-States relations are concerned, let us accept that what is forced is never enforceable and, therefore, only by persuasion we can bring them round and we are also in favour of this approach, we will try our best to persuade the States in order to evolve a common approach between the Centre and the States *vis-a-vis* Excise Duty and Sales Tax.

think I have clarified all the points.

SHRI KOTAIAH PRAGADA : Sir, some State Governments including Andhra Pradesh want to levy Sales Tax on powerloom cloth firsts and seconds. Why should not the Centre permit the States to do that because they are not subjected to Excise Duty?

PROF. MADHU DANDAVATE : I would like to point out one thing. This might be your point of view. But this view also is not shared by all the States. Therefore, let us try to evolve a consensus and move in the direction of implementing it.

THE VICE-CHAIRMAN (SHRI BHUVNESH CHATURVEDI): I shall now put the motion to vote.

The question is:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI BHUVNESH CHATURVEDI): We shall take up clause-by-clause consideration of the Bill.

Clauses 2 and 3 were added to the Bill.

Clause 1, the Enacting Formula, and the Title were added to the Bill.

PROF. MADHU DANDAVATE: Sir, I beg to move:

"That the Bill be returned."

The question was put and the motion was adopted.

SHRI SUBRAMANIAN SWAMY: On the Third Reading I wanted to speak, to put a question. Let the Minister assure me that he will re-examine the 'Prasadam' issue.

PROF. MADHU DANDAVATE: Let us discuss it outside. I respected your view even in your absence.

Now, I will move the motion regarding the other Bill.

THE VICE-CHAIRMAN (SHRI BHUVNESH CHATURVEDI): The question is:

"That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI BHVNESH CHATURVEDI) : We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 and 3 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

PROF. MADHU DANDAVATE: Sir, I beg to move:

"That the Bill be returned."

The question was put and the motion was adopted.

GOLD (CONTROL) REPEAL BILL, 1990

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE) : Sir, I beg to move:

"That the Bill to repeal the Gold (Control) Act, 1968, as passed by the Lok Sabha, be taken into consideration."

Sir, I need not speak on this now. If some Members speak, I will reply in the end.

The question was proposed.

SHRI N.K.P. SALVE (Maharashtra): Mr. Vice-Chairman, I rise to support this Bill which has been very brilliantly drafted because the entire Bill has been contained in two clauses and in two lines. Fortunately this is one Bill in which no scope has been given for the draftsman to flaunt his brilliance on us. Normally the drafting of such commercial laws is a nightmare, so far as I am concerned...

PROF. MADHU DANDAVATE: Even then mistakes could be committed

SHRI N.K.P. SALVE : I apologise for speaking on this Bill. Having heard such a brilliant expostulation by the Finance Minister which was one of the most persuasive speeches because of its lucidity and because of its coherence, I really wish more Members from the Treasury Benches spoke like this so that even if they spoke wrong things, we would be persuaded to believe that what they said was right. I apologise for speaking on this Bill for two reasons mainly. In the heydays of my profession my appearance before the gold control authorities was very limited. So the actual administration of the law, I have known very little. And I have very little knowledge about gold except what I learnt in my childhood that all that glitters is not gold. My knowledge is confined to that. Despite that, I am speaking on this Bill and, therefore, if the Finance Minister finds that my speech is lacking in erudition and scholarship, he will forgive me. But sometimes Members have also to depend on common sense. It is entirely on common sense that I would be depending on. Before I proceed further, since other Members have referred to it, I must refer to a quarrel I have with this Finance Minister. If it were any other Finance Minister I would not have had this quarrel. I know this Finance Minister is really possessed of sportsmanship. I don't